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The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

59th Year, No. 48
December 1, 1955

Mutuals Propose Pool to Write Radiation Hazard

Amreco Writes Insurers of Plans; Would Offer \$10 Million Per Occurrence

American Mutual Re of Chicago, which handles reinsurance for a number of mutual insurers, has been asked to develop and administer a pool to insure against the hazard of radiation and radioactive contamination resulting from the operation of atomic reactors or from the handling, fabrication, processing or reprocessing of fuel or products incidental to such operation.

The pool, according to the proposal, would reinsure all insurance of the radiation hazard written by mutuals. There would be no selection against the pool.

The pool would develop a capacity of at least \$10 million per occurrence for third party bodily injury, third party property damage liability and direct physical damage applicable to the radiation and contamination.

American Mutual Re has written mutual insurers over the country to outline the proposal and has attached an agreement for the insurer to execute. The letter points out that four of the 10 men appointed by the fire and casualty insurance business to study insurance of peacetime use of atomic energy for the government were mutual representatives—H. C. Jones, president Arkwright Mutual Fire; A. L. Papenfuss, vice-president Employers Mutual of Wausau; H. W. Yount, vice-president Liberty Mutual, and M. B. Weber, vice-president Lumbermens Mutual Casualty.

The 10-man committee reported that present facilities of the insurance market probably will meet the needs of an atomic energy reactor plan except for the radiation hazard created by a reactor out of control. This insurance is the immediate challenge to the insurance business. Stock insurers have indicated that a joint stock-mutual pool is not feasible and that stock companies will form their own pools. Mutuals, then, should have their own pool or pools, it is pointed out. The plan is that the capacity of both pools will be available on a concurrent and pro rata basis, on exposures with a real catastrophe potential.

Hence the proposal that Amreco establish such a facility. To do this the plan is that all mutual fire and casualty companies with a surplus of \$1 million or more, which generally is the requirement for multiple line insurance, will be invited to participate.

Each company will determine the extent of its participation but the consensus is that a dollar limit equal to 2% of each company's surplus cannot possibly endanger any one company

Small WC Policy Program Filed, to Be Effective Mar. 1

NEW YORK—National Council on Compensation Insurance has filed in all jurisdictions, for effect next March 1, a plan for writing small WC policies for three years, William Leslie Jr., general manager, told the WC small policy economics subcommittee of National Assn. of Insurance Commissioners at its meeting here. The subcommittee is headed by Humphreys of Massachusetts.

Chief feature of the plan is the writing, on an optional basis, of risks with annual premiums of \$100 or less, for three years. The rate is the manual rate at inception date unless any single rate revision requires an increase of 10% or more, in which case the increase shall be applied to the policy. In effect, any legislative change in benefits producing less than a 10% increase in rates will be absorbed by

(CONTINUED ON PAGE 36)

Ariz. Approves New PFRB Rules on Partial Subscribers

The newly established rules barring unlimited partial subscribership to Pacific Fire Rating Bureau have been adopted in Arizona over the opposition of North America and Fire Insurance Exchange of Los Angeles, a member of the Farmers group. The rules are awaiting approval in Nevada and Utah.

North America based its opposition on its recent legal battle with New York Fire Insurance Rating Organization, but at a hearing, the Arizona department upheld the Pacific Fire Rating Bureau's contention that the issues in this matter were not similar. Bert W. Levitt, attorney for PFRB, said approval of unlimited partial subscribership would threaten the existence of the bureau.

In a brief filed with the department, Mr. Levitt said the bureau is not concerned with the competitive problems

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A&H Code Main Point of Interest at NAIC Midyear

Work to Iron Out Industry Differences; Little Done on Fire and Casualty

By KENNETH O. FORCE

NEW YORK—The beneficiaries of public law 15 met here for their mid-year convention and engaged principally in discussing ways of getting federal trade commission off their backs. The agenda of National Assn. of Insurance Commissioners developed spirited discussions of several life insurance topics, such as variable annuities and special policies, but the fire and casualty subjects displayed only a little progress and practically no pyrotechnics at all.

About the only casualty matter about which something was done was the small policy program of National Council on Compensation Insurance. That is, casualty ex-A&H. For A&H was the big subject, and the efforts of commissioners to develop an A&H advertising code that can be supported by the diverse interests in the insurance business and the commissioner ranks and at the same time offer some hope of stopping the infiltration of FTC into insurance regulation, rescued the convention, with the aid of life insurance interest, from a low water mark of accomplishment.

A further change was made Tuesday in the proposed A&H code wording dealing with excluded coverages. The version put out two weeks ago aroused concern among casualty insurers lest by implication the code be considered applicable to the personal coverages in automobile medical payments, comprehensive public liability, and other coverages in which there is a minor element of A&H and hospital insurance. The wording in the version distributed Tuesday excepted policies from the code "when issued in connection with another kind of insurance other than life, and except disability and double indemnity benefits in life insurance and annuity contracts."

The version distributed at the Pansing committee Monday of this week was thought to take care of this trouble by adding to the language dealing with policies affected by the code these words: "...Except when issued in conjunction with another kind of insurance." However, it was pointed out that this might leave a loophole for a company that wanted to issue A&H as an ostensible adjunct to life insurance so as to take advantage of the exclusion language.

There was no question on the part of either the committee members or the industry representatives about the intent of the exclusion language. The only problem was to work out language

Late News Bulletins . . .

NAIC Committee Okays A&H Code

The federal liaison committee of National Assn. of Insurance Commissioners Tuesday approved the A&H advertising code in the form to which it had been perfected by the Pansing subcommittee. Pansing of Nebraska had urged the need for action at this meeting, though C. F. J. Harrington, secretary National Assn. of Casualty & Surety Agents, warned that the commissioners were proceeding too hastily. Lawrence Pomeroy of National Assn. of Insurance Brokers opposed approval at this time because his group had not seen or studied the code.

Mr. Pansing said NAIC has been working on the matter 15 months, which seems long enough. The code doesn't guarantee to foreclose the FTC but failure to adopt the code now, he said, certainly would leave the issue of jurisdiction up in the air another six months, leave insurers in the dark on how to advertise, and leave commissioners without a guide on a difficult matter and without a counterargument against FTC. McConnell of California voted against the code but indicated he was doing so because of the particular situation in his state.

Tighten up on N. Y. Surplus Writing

The New York insurance department has tightened up on the procedures followed in placing surplus or excess business in the non-admitted insurer market. It has issued new affidavits. These must be signed by three admitted insurers indicating that they will not write the business at manual or higher rates.

Charters of non-admitted insurers must be checked by surplus line brokers to determine if the underwriting powers from their home jurisdiction permits them to write the business the broker is seeking to place with them.

The department also has furnished surplus line brokers with the list of 75 or so insurers licensed in New York that have made filings with the department under section 185 indicating their willingness to consider surplus type business at manual or other rates. It is reported that some of the larger of these insurers are working on the development of a central office where brokers may submit business to determine if an admitted insurer or insurers will write it.

Andrews Holds Press Conference in N. Y.

T. Coleman Andrews, chairman of American Fidelity & Casualty and former commissioner of internal revenue service, held a press conference and luncheon in New York during the meeting of National Assn. of Insurance Commissioners. His principal point was that the country needs new highways and that they must and can be accomplished on a pay-as-you-go basis. Several other executives of the truck and bus insurers accompanied Mr. Andrews.

and yet will be sufficient to produce the desired capacity.

The participations would be retrocession reinsurance agreements with Amreco. The handling of reinsurance pools shows this method is economical and efficient.

Participants would receive their pro

rata share of the gross original premium less 15% to the ceding company to cover all expenses except loss adjustment expenses and 2½% to Amreco. This means the pool members will have 82½% of each dollar with which to pay losses and adjustment expenses.

(CONTINUED ON PAGE 21)

Kentucky Agents Elect Lawton to Succeed Billington

Sales Clinics for Small Town Agents Credited for Increase in Attendance

LOUISVILLE—Robert A. Lawton of Central City was elected president of Kentucky Assn. of Insurance Agents at the annual meeting here last week, and becomes the first son of a former president to succeed to the office. His father, J. Bryant Lawton, was president in 1935, and the Lawtons are in partnership in Central City.

The 1st vice-president is James R. Montgomery of Springfield, and Louis W. King of Olive Hill was elected 2nd vice-president.

Walter R. McCord of Louisville continues as executive secretary, and Sheridan C. Barnes of Elizabethtown as state national director.

A new board of directors will be appointed by Mr. Lawton in about 45 days.

Attendance was larger than had been anticipated, and some credit for this was given to the series of sales clinics as presenting an opportunity for the small town agents to learn more about their specific problems.

Prior to the opening of the convention there was a dinner for past presidents and the executive committee Sunday evening, and the next morning an executive committee breakfast was presided over by Mr. Lawton.

First speaker at the general session was retiring president, Guy Billington of Murray, who reviewed association activities during the year, mentioning as the high point that membership has now reached the 500 mark.

Mr. Billington suggested that companies give more serious thought and do more investigating before going into agencies where mutual companies are represented. The company field men, he added, can be of assistance in helping local agents become more ethical, thus adding prestige to the agency system.

The company is due a vote of thanks, Mr. Billington remarked, for the time and money they are spending in advertising the agency system. What is needed most of all is coordination between various groups advertising the insurance product.

The Kentucky Fire Underwriters Assn. was praised by Mr. Billington for conducting schools in several cities designed to keep the agents posted on developments in the business, and Commissioner Goebel and his staff were commended for initiating a program to revise agent examinations. Mr. Billington said he understands revisions in examinations will be made soon, and this might be the time to "stiffen the examinations a little."

Commissioner Goebel mentioned in his talk the reductions in rates during 1955, which he said totaled about \$3 million for all lines. This included a 5.2% reduction in workmen's compensation, 18% in contract bonds, and lower rates for burglary.

Louis E. Woodbury Jr. of Wilmington, N.C., a member of the executive committee of the national association, delivered a pep talk full of sales suggestions, pointing out the tremendous

(CONTINUED ON PAGE 26)

Joint Committee Calls FTC Charges "A Continuation"

The Joint Committee on Health Insurance has made a statement on the latest FTC charges of false and misleading advertising against A&H insurers in which it is pointed out these are merely a continuation of a series of such citations begun more than a year ago. The charges are made against advertising published more than two years ago, samples of which were submitted to the FTC for examination.

The statement goes on to say that an advertising code is in preparation and is expected to be adopted by National Assn. of Insurance Commissioners at its meeting this week in New York.

Lumbermens Mutual Casualty has sent letters to its representatives, commenting that complaints have now been issued against 41 companies and it is likely that more will be forthcoming. "It seems likely that the reason Lumbermens was mentioned at this stage, among the several hundred companies in the business, was the simple fact that our material was submitted for examination quickly and in form which allowed the FTC to get the clearest possible understanding of our procedure.

"The issuance of wholesale complaints by the commission against companies of all types without previously having set up any standards or made any comments as to what should be in advertising and what should not be, appears to be an example of the bureaucratic waste of taxpayers' funds to which the Hoover commission was directing its attention," the letter says. It is added that individual A&H insurance constitutes less than 2% of the total business of Lumbermens.

Says Challenge of Partial Subscriber Must Be Accepted

Also North Calls for Real Research in SEUA Presidential Address

The problems posed members of rating bureaus by the partial subscription of subscribers, hurricane and flood damage and insurance, and the need of large scale research in the business were the topics with which John A. North, president of Phoenix of Connecticut, dealt in his presidential address at the Southeastern Underwriters Assn. semi-annual meeting in Pinehurst, N. C.

Mr. North pointed out that members of a rating bureau undertake serious obligations and are bound by them, including a requirement of equality and a pledge of fidelity, but subscribers are not faced with such obligations, though they use the facilities of the rating bureau. This situation becomes acute when a subscriber decides to use a rating bureau's facilities but subscribes for only partial service, Mr. North declared. When a subscriber withdraws for habitational risks or claims a right to use the property of the rating bureau independently, the result is a challenge for the members. Without the years of accumulated experience and statistical data, the engineering staff, know-how of schedule rating, and grading of cities and towns and fire departments, where would an independent company start to develop a sound rating bureau today? It would cost millions of dollars to duplicate these tangible and intangible assets of rating bureaus, he said.

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This situation never was contemplated by capital stock insurers when the rating laws were written, he stated. There is the potential for a force which can threaten the future existence of fire rating bureaus if it is allowed to continue. The resulting chaos could render agents' expiration value worthless, bring about insolvency for some companies and general agents, and lead to state or even federal rate making just as the rate war of earlier years did in Texas.

Members cannot stand with hands tied while independents and subscribers convert rate bureau facilities to their advantage, he declared. One by one insurers will drop away to protect themselves against unfair competition, and then the fundamental principle of "equality among members" will have disappeared, as will the rating bureau itself. Thus the effect of this destructive force can be only demoralization and financial loss to all involved, from policyholders to stockholders.

The correction is not simple. One move might be to admit all as members, eliminate subscribers, and require mandatory compliance with rates, rules, practices, etc. That would be similar to North Carolina. Another would be to eliminate subscribers and let each group with common interests form their own rating bureau. But the deeper the subject is explored, the more complicated it becomes.

When insurers were privileged to police themselves, he went on, they could resort to measures like those

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Claims Begin to Come in Under N.Y. UM Coverage

NEW YORK—Claims under the negligence type uninsured motorist cover already are beginning to make their appearance in New York. After five weeks, several stock insurers report that they have received five of the claims apiece, and other insurers report two or more. Apparently any insurer doing a substantial automobile business in New York state has received at least one claim.

Underwriters believe the number and kind of claim so far received can be regarded as normal. The coverage was extended to all, or substantially all insurance policies of stock companies so that there was at once a total exposure. It is only on renewal that the premium is charged.

It is, of course, too early to tell what the frequency is going to be or whether the characteristics of such claims will differ in any respect from the usual run of automobile bodily injury claims. However, the stock insurers are watching such losses very carefully. Apparently all of the insurers have established a procedure which puts this kind of claim in the hands of one man, usually the senior claim man. Even if the type of claim does not differ much from the usual BI claim, insurers are watching to see if such claims need to be handled in any way differently from the more run claims. They want to know all they can learn about the claims themselves.

Already it is apparent that it will take some time after an accident to determine whether the insurer has a UM claim on its hand. One insurer received a routine collision claim which, on investigation, revealed some minor bodily injuries. The policyholder was in the process of filing suit against the driver of the other car when he discovered that the driver was not insured. The insurer promptly moved in. Insured did not know at first that he had the UM coverage though presumably he would have discovered it shortly.

Some of the claims have been serious. One company which has received five of the claims reports that one claim involved a fractured skull and the other a back injury, and that both claims are likely to use up the full limits. Those limits are the basic financial responsibility limits of 10/20.

Some claims involve clear cases of liability; in other claims the liability is not so readily apparent.

One observation of several underwriters in these early days of UM coverages is that with more than 90% of automobiles in New York state insured, the uninsured motorists bear all the earmarks of unreliability—an old car, little or no property or credit, little or no driving experience, etc. Thus, they think they will get little material benefit out of the subrogation feature of the coverage. The driver can make a small cash settlement and buy back his right to drive so that pursuit of subrogation does not keep him off the road. However, the inclination among insurers is to reduce their subrogation rights under the policy to judgment which they can hold over the uninsured motorist for years to come. The insurer then will not run into the statute of limitations and lose its right

to recover at some future time by default.

Under the mutual, or "without fault" coverage, a few claims have been filed. Probably this form of the UM insurance will turn out to be much like medical payments, or an extension of MP. However, one uncertainty is seen in the fact that under MP, when there are injuries to guests, both insurer and insured want to settle promptly, but neither may know at the time whether the other motorist is insured. Should the insurer take a restricted release?

Lower WC Rates 5.7% in South Carolina

Workmen's compensation rates will be reduced in South Carolina 5.7% effective Dec. 31, according to Commissioner Kelly. The rates will mean an annual savings of about \$400,000 for employers in the state, he said.

Beery Is 1-Day Speaker

Commissioner Beery of Colorado, addressing the regional insurance day gathering at Grand Junction, outlined

the department's stand on merchandise block policies, explaining it comes under multiple line operations and that he and the commissioners in Wyoming and New Mexico are attempting to maintain uniformity of supervision over this coverage.

Mr. Beery also talked on the agent qualification law, noting that after Jan. 1 all applicants are to fill out the qualification card personally.

John Roane, adjusters of Baltimore, have opened a multiple line adjusting office at Cumberland, Md., with E. A. Lauer in charge.

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Unions Fight State Control of Welfare Funds' Activities

Express Preference for Federal Disclosure Law as Deterrent to Abuses

NEW YORK—The New York State Federation of Labor experiences acute abhorrence at the idea of state supervision of joint union-employer welfare funds. Its preference, expressed in a statement by Secretary-Treasurer Harold C. Hanover at the New York department's four-day hearing here, is for a federal disclosure statute.

State legislation on such matters, the union contends, should be limited to doing a better job of maintaining the purity of agents and brokers, so that they do not indulge in evil and corrupt practices. Mr. Hanover's statement did a rather skillful job of making appear that greedy insurance men were to blame for the sordid happenings thus far unearthed, rather than racketeers who worked the captive union game for all it was worth and added to their take by teaming up with insurance brokers or agents who were willing to kick back most of their commissions.

"Legislation which proposes to meet the problem by bringing health and welfare plans under the scope of existing state insurance regulations is perhaps worse than useless," he declared. "The fact is that those abuses which have been found in the operation

Opening statements in the New York department's hearing on welfare fund controls follow this story and begin on page 29.

of health and welfare funds have taken place within an area which had already been covered by state insurance regulations—that is, the operations of insurance companies in obtaining business and in establishing premium rates and commission scales, and the practices of insurance brokers and agents

CPCU Forum Looks "Enviously" at Artful Sales Techniques of Life Industry

A panel of fire and casualty men took a slightly envious look at the successful sales techniques of the life industry during one of three forums held in connection with the annual conference luncheon of the Chicago CPCU chapter at the Palmer House Nov. 22.

James B. Murphy, chairman of a "How Can We Improve 'Selling'?" forum and executive vice-president of E. H. Walters & Co. agency, said the fire and casualty industry is pathetically inadequate in establishing effective selling practices and training men.

Mr. Murphy told his audience to take a look at the sales techniques of other industries, especially life insurance. Life men, he said, turn apparent selling detriments into actual tools for more business. Social security, he said, doesn't hurt life men. They sell insurance as a supplement to it. They get around high taxes as an opposition to sales by the argument that insurance is needed to provide liquid assets at time of death.

The keystone of life sales, Mr. Murphy said, is training. He urged that the usable sales methods of the life industry be carried over into the fire and casualty business.

Life men, Mr. Murphy said, have a

licensed by state insurance authorities in their transactions with health and welfare funds.

"So long as the alleged regulation of insurance companies and agencies continues to be no better or more effective than it has been in the past, the extension of the jurisdiction of state insurance authorities to the operations of health and welfare trust funds would simply compound the errors of the past.

"Much of the blame for the conditions now officially decried can be placed at the door of state agencies which all along have had the responsibility of supervising the activities of insurance companies and agents. For example, one notorious insurance broker, whose activities in milking a union health and welfare fund have recently been disclosed, was permitted to hold licenses and operate in several

(CONTINUED ON PAGE 17)

stock of powerful, canned answers to meet the standard objections offered by prospects. In fact, he said, they welcome such objections as: "I got to talk it over with my wife," or "I can't afford it."

Prospecting is an essential phase of selling, Mr. Murphy said. He reminded all that they must keep an active file of prospects and outlined ways for getting and maintaining a continuing reservoir of potential customers.

Other participants in the sales forum were Frank R. Miley, assistant vice-president of W. A. Alexander Co.; Frank A. Hohenadel Jr., Chicago broker, and Sandford H. Lederer, vice-president of Stewart, Keator, Kessberger & Lederer.

Mr. Lederer criticized complicated policy language, pointing out that it doesn't aid sales. He said insurers seem reluctant to change policy terms in some cases because they already have been interpreted by the courts. On the other hand, he said, courts have criticized the confusion of policy language.

Mr. Lederer recommended that experts put the language in "modern American English." He said insurance people go too far "on the supposition that nobody reads a policy anyway."

Mr. Hohenadel pointed out that sales are fundamental to the insurance business and all persons in the industry must deal with it regardless of their job. He said certain underwriting and claims practices can bring disfavor and reminded that brokers and agents tend to place their business with the company with the enlightened claims attitude. He said claims handling with the "right touch" wins friends among agents, brokers and the public.

Mr. Miley explored some of the problems of training agents, prospecting business, and distributing insurance. He said prospecting is a big subject and requires more adequate market surveys "to find out who is buying, what's selling, and what it is that motivates the buyers."

In discussing distribution, he outlined the advantages and disadvantages of the insurance vending machine. He said it is a passive salesman but pointed out that it's always on the job and caters to the public's inherent gambling instinct and desire for protection.

A second forum featured "Practical Safety for Producers," with Otto P. Freilingher, chief engineer for W. A. Alexander Co., as chairman. Participating were John J. Geary, midwest supervisor of American Foreign Insurance Assn.; N. A. Kenney, underwriting supervisor of Factory Insurance Assn.; R. B. Williams Jr., special representative for Oil Insurance Assn., and Prof. John J. Aheren, Illinois Tech.

A third forum, "The Port of Chicago and Ocean Cargo Insurance," is reported elsewhere in this issue.

La. Schools Let Insurance

Roberts & Eastland agency of Baton Rouge, La., has been awarded the bid for fire and extended cover on the school property of East Baton Rouge parish. The agency, which represents American Employers, bid .3798 per \$100 for five years or about eight cents a year which was about half as much as the next bid. Premiums will be about \$12,000 a year.

Propose Ceiling on Pay to Lender for Credit Cover

ALC-LIA Recommend Model Bill to Reduce Abuses in Credit A&H-Life Field

NEW YORK—American Life Convention and Life Insurance Assn. of America have proposed model legislation which would limit compensation to lenders to 40 cents per \$100 of initial indebtedness for credit life, and to 60 cents per \$100 of initial indebtedness for credit A&H which has a 14 day non-retroactive elimination period on an indebtedness of one year's duration, and to consistent amounts in the case of other credit A&H.

The proposal was made to the subcommittee on credit life and credit A&H of National Assn. of Insurance Commissioners at the midyear meeting here. This is a unit of the life committee and it is headed by Larson of Florida.

The proposal is limited to loans of \$500 or less, Albert Pike Jr., actuary of LIAA, said in his presentation. W. Lee Shield, associate general counsel of ALC, also spoke on the proposal. The restriction was suggested, according to Mr. Pike, because credit insurance abuses which have been so publicized have been confined generally to small loans. Also, limitations with respect to loans of \$500 or less will have a pace-setting effect on the maximum compensation paid for larger loans, without standardizing the compensation rate to the lender at a floor higher than the lender may require or competition may produce on larger loans where the borrower can be more selective in choosing a lender.

LIA-ALC also want to suggest other changes in the rules proposed by the commissioners. One is that credit A&H insurance should be restricted in forms to plans having claim elimination periods of 14 days or more, to preclude sale of higher priced cover producing claims of a frequency not conveniently serviced through most lenders.

The two life organizations urged that existing NAIC model credit insurance regulations be put into model legislation, with commissioners and interested organizations cooperating in the effort. Presently, Mr. Pike pointed out, NAIC model regulations cover the desirable aims of availability of credit coverage to all borrowers who desire it, of competition between credit insurers, and of avoidance of any action tending to undermine the agency system. It is the fourth aim, to protect the borrower or purchaser from excessive charges of such insurance, whatever the charges are called, that the 40 and 60 cent ceilings are designed to meet.

The proposal has been discussed with Consumer Credit Insurance Assn., National Assn. of Life Underwriters, and with a few of the principal lenders.

Oren D. Pritchard, Union Central Life manager at Indianapolis and trustee of NALU, told the Larson group that his organization continues

(CONTINUED ON PAGE 25)

Mad? Still waiting for "The Word" from the Home Office?

Here's News to Make You GLAD!




Our Branches have Home Office Authority

ON UNDERWRITING AND CLAIMS

Hawkeye-Security
INSURANCE COMPANY

Industrial
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DES MOINES, IOWA

Branch Offices In
CHICAGO
DENVER
DES MOINES
GRAND RAPIDS
INDIANAPOLIS
KANSAS CITY
NEW YORK CITY
OMAHA
SIOUX FALLS
SPRINGFIELD, ILL.
WASHINGTON, D.C.

December 1, 1955

The NATIONAL UNDERWRITER

N. C. Seeks 100% Dwelling EC Hike

North Carolina Fire Insurance Rating Bureau has asked Commissioner Gold to approve extended coverage rate increases which would increase total premiums about \$3,803,920 annually.

It proposed a 100% increase in EC on dwellings; a 50% increase on other structures except those of wind-resistant construction; a \$50 deductible on EC, and elimination of radio and TV antennas from EC and making insurance on these available at \$5 per year in the interior and \$7.50 on the seacoast.

The rating bureau proposed the same increases for straight windstorm insurance as for EC, and a 4.94% overall increase in fire insurance rates, including a 25% increase on farm property, a 10% increase on mercantile buildings where fire protection is lacking and a 9% increase on mercantile contents. The proposed fire rate increases would boost premiums an estimated \$1,469,986 per year.

In its filing, the bureau said that in the 10 years from 1945 through 1954 EC premiums in the state totaled \$29,612,287, while in the same period losses totaled \$32,613,178, most of which was in 1954 when insurance companies paid out \$24,043,617 in EC after Hurricane Hazel and collected premiums totaling only \$4,193,565 during the year. To have maintained a 50% loss ratio would have required premiums totaling about \$65,250,000 during the 10 year period instead of \$29,612,287.

The EC rate on dwellings in North Carolina now is 8 cents per \$100 in inland territory and 12 cents on the coast. Under the proposed changes, these rates would go to 16 cents inland and 24 cents on the coast.

The rating bureau said that during the five-year period from 1950 through 1954, earned fire premiums in North Carolina totaled \$131,254,250 and losses came to \$68,871,075, for a loss ratio of 54.47%, and that the loss experience indicated a need for a rate increase of 4.93%.

Most of the proposed increase would apply to farm property, and the bureau again asked for a return to the 24% differential on farm dwelling rates, which twice before has been turned down.

Other proposed fire rate changes would increase premiums for mercantile buildings as much as \$220,041; mercantile contents, \$281,094; warehouses, \$17,564; wood products, \$33,508; veneer and laminated wood mills, \$11,236; and printing and allied industries, \$5,981.

Commissioner Gold said he would hold a hearing on the proposals.

Resigns as FCIC Director

Richard J. Roth, manager of Crop-Hail Insurance Assn., of Chicago, has resigned as a director of Federal Crop Insurance Corp. He has been on the FCIC board for 2½ years and has been one in the line of insurance men serving FCIC who have endeavored to get the corporation on a self-paying basis.

Crop-Hail Insurance Actuarial Assn. next year will be handling the policy preparation and rating of crop policies which, in time, it is expected will provide private insurance competition to FCIC.

Model WC Bill Ready

WASHINGTON—U. S. Department of Labor has prepared a discussion draft of its proposed model workmen's

compensation law. The department hopes that eventually state legislatures will pass the model or something similar.

The draft bill provides that an injury compensable must be one "arising out of employment," instead of the customary existing phrase, "out of and in the course of employment." Also, death, total and permanent disability, and medical benefits would have no fixed dollar or duration limit. Medical benefits would extend not only to restoration of maximum physical capacity, but also to relief of pain.

OL&T Rates Are Increased in N. Y.

Changes in OL&T bodily injury liability insurance rates for area and frontage and miscellaneous classifications, including schools, theatres and residences, have been made by National Bureau and Mutual Bureau, effective Nov. 30.

The rate revisions of National Bureau and Mutual Bureau, respectively, result in average statewide increases in area and frontage classifications of

18% and 18.1%; school classifications, 55% and 55.2%; theatres, 21% and 21.1%; residences 59% and 59.5%; and other miscellaneous classifications 52% and 52.1%.

John E. Moulton & Son local agency of Lynn, Mass., has been presented a plaque commemorating its 40th anniversary as an agent of London Guarantee. Attending the ceremony were W. S. Oldreave, New England manager, James C. Scotland, assistant New England manager, Frank X. Johnston, Massachusetts special agent, and John E. Moulton, and Albert E. Clark.

Odor Control Is A Profit Builder!**No Fire Sale Losses Here!**

Fire in an adjacent restaurant filled a Long Island department store with dense smoke and heavy fuel oil odors. An inventory of over \$160,000 was threatened by the strong odors. It was feared that the store would be closed for three weeks with heavy loss of customer patronage. Business Interruption loss was estimated at \$40,000. However, none of these losses was suffered! Airkem Smoke Odor Service vaporized special odor-control formulations in the premises and completely neutralized all traces of smoke and fuel oil odors. Within three days, the store had reopened. Total cost of the Airkem service was less than \$1,500 . . . and no fire sale was held!

Smoke is just one of the many odor problems solved by Airkem factory-trained experts. Airkem uses over 100 special compounds to counteract odors at their source, whether in the air, on a surface or in a product. Airkem odor control

makes the air seem more pleasant and more breathable in stuffy offices, workers happier and more efficient. It reduces air conditioning costs by permitting greater use of recirculated air. Hotels and restaurants are more attractive to customers when Airkem kills cooking and cigarette odors. Industrial plants are better accepted by their communities when process and product odors are neutralized. Airkem, the true odor counteractant, remedies all these odor conditions, and many more, permanently and inexpensively.

Mail in coupon for free confidential survey or for additional information. There's no obligation!

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Send me more information on Smoke Odor Service
 Air Conditioning Service Product Odor Control.
 Please have Airkem Field Engineer call.

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Organization _____

Address _____

NU 12-55



Odor Control is a Profit Builder
 for stores, hotels, hospitals,
 theaters, paper mills, smelters
 and many other types of
 industries and institutions.

Whitford Gives New Arguments for Market Research

George V. Whitford, vice-president of Fire Association, who has been stumping in the last few months for some sort of a market research program for the fire and casualty insurance business, reiterated some of his arguments and expanded his theme in addressing the CPCU all-industry luncheon last week at Louisville.

On the premise that the insuring public is the sole reason for the existence of the insurance industry and that research based on the point of view of the customer will yield rich returns for the business, Mr. Whitford proposed that a starting point of insurance market research might be a committee of interested CPCUs who could outline the scope of such a program, the best place to have it done and indicate what it might cost. This would be as a substitution for his original suggestion that a research program be undertaken by one of the large universities. Mr. Whitford said the main reaction to this has been that the campus is too theoretical.

Commenting that the increase in population, increase in automobile registration and the increase in per capita income, among other things, has set up a new environment in which old methods will not work, Mr. Whitford warned that unless some definite and planned effort to keep in touch with the market through research is made, business policies will soon become dangerously out of tune. Specialization and size within companies, rating organizations and trade associations have added to the distance between buyer and seller. Within many insurers, the underwriting, production, advertising and finance departments are shut off from one another and the executives are embroiled in the immediate problems of finance and details of operation.

A market research program, he suggested, would isolate significant marketing problems and enable agencies to know, for example, how many private passenger automobiles they insure now compared with 10 years ago as related to the increase in car population; it would keep the business in touch with its markets so that it might have been possible to foretell in advance whether five or six dwelling forms are necessary; reduce waste in marketing methods including advertising programs; discover and evaluate

why people act as they do in making marketing decisions; develop new sources of profit through development of new policies and new markets; infuse enthusiasm into the business organizations, and foster good public relations.

Aside from using a CPCU committee to get such a program under way, Mr. Whitford suggested there might be established within producer and company organizations sales departments staffed by qualified people who would supply specialized marketing information and sales training programs. A trading area could be picked out as an experimental test region in which the total number of automobiles presently insured, total number of owner-occupied homes insured and other data could be obtained and reported monthly and compared with an index of actual car registrations, number of owner-occupied dwellings, new home starts, etc., to be furnished to each member. This would allow a measurement of performance against potential.

The third suggestion is for a producer and company organization to watch trends and developments in other businesses, realizing that insurance, as a business, is not unique.

Finally, Mr. Whitford said, a study could be made of the selling and promotional activities of life companies, which have the same problems as fire and casualty—how to distribute effectively both personal and business insurance. A few successful life insurance producers could be added to the fire and casualty programs to offer their selling suggestions.

Pa. Bill Defines Insurer Suspension Measures

A new bill defining legal procedures for the suspension of insurance companies in Pennsylvania has been introduced in the house.

The measure, referred to the insurance committee, would prohibit suspended companies from issuing policies, transferring property or paying money without prior approval of the insurance commissioner. The suspended company would be required to notify by mail within 15 days its creditors, policyholders, members and certificate holders of the suspension date. The department would issue a similar notice by newspaper advertising in the county in which the company had its principal office.

Plans Dividend to Citizens General Creditors

Commissioner McConnell of California has filed a petition with Los Angeles superior court seeking ap-

proval of payment of a 40% dividend to creditors of Citizens General. This would be the first dividend to be declared since the commissioner seized the company for liquidation. It would represent payment of \$425,907 or 15,687 approved claims totaling \$1,064,768. Another dividend, it is expected, will be paid within a few months. The commissioner has on hand \$644,435 of the defunct company.

Mr. McConnell has been discharged as liquidator of American Independent Medical & Health by superior court at San Francisco, following a filing of his final account and its approval by the court.

D. W. Kelley Made V-P of J. & H. at Chicago

Dixon W. Kelley has been elected a vice-president of Johnson & Higgins of Illinois, Inc. He will supervise the casualty operations of J&H. in Chicago.

Mr. Kelley joined J&H. in 1942 and has served as vice-president at Los Angeles and Seattle before moving to Chicago. He is a graduate of the University of Southern California.

Guarantee Opens Branch Offices at Fresno and S.F.

Guarantee of Los Angeles is opening branch offices at San Francisco and Fresno. Roy Lundin is in charge at San Francisco. The new branch is located in the office of London and Manhattan F&M., of which Guarantee is a group member. At Fresno, S. P. Merrel will be in charge. The new office is opened in conjunction with a service office of London and Manhattan, of which J. Easterwood is special agent in charge.

Four Big Insurers Join Road Aid Plan in Mich.

Aetna Casualty, Travelers Fire, Charter Oak and North America have joined the Road Aid program of Detroit Assn. of Insurance Agents, bringing practically all the major insurers writing auto insurance through the agency system in Michigan into the plan. Road Aid provides free emergency road service to agency-insured motorists in nearly every town in Michigan. There are now 150 companies participating along with more than 600 agents.

Auto Insurers Drop BI, PDL Cost 25% for Two Car Units

National Bureau and Mutual Bureau have discounted auto BI and PDL rates 25% for individuals owning two or more non-business private passenger cars with no operators under 25 where the cars are insured in one policy.

National Automobile Underwriters Assn. also will discount the collision premium if it is insured in the policy.

National Bureau-NAUA discounts are effective Nov. 23 in all states except Louisiana, Massachusetts, Mississippi, New Hampshire, New Jersey, Texas, Virginia, Wyoming, District of Columbia, Alaska and Puerto Rico.

When two or more non-business private passenger automobiles are owned by an individual or by husband and wife living in the same household and there are no operators under age 25, the applicable class 1 liability rate or collision premium will apply to the highest rated automobile and each additional automobile will be subject to its applicable class 1 liability rate or collision premium reduced 25%, provided the cars are insured for liability in one policy and for collision in one policy.

The discounts recognize that generally the exposure hazard per automobile in such households where there are two or more class 1 private passenger automobiles is less than the exposure hazard of a single class 1 private passenger car risk.

The reduced rating basis is not applicable to risks written in accordance with the "more automobiles than operators" rule in the miscellaneous rules section of the manuals.

The mutual bureau discount is effective Nov. 23 in 36 states and District of Columbia.

LaCloche to Home Office of Security Mutual Casualty

B. W. LaCloche, manager of the New England office of Security Mutual Casualty of Chicago, has been transferred to the home office where he will assist in the supervision of branch office operations. Mr. LaCloche has been with Security since 1934. In 1939 he was made Chicago branch claim adjuster, and after service in the navy he returned to claim work. He went to the New England office in 1948, becoming manager in 1952.

Charles E. Taylor, who has been assistant to Mr. LaCloche for several years, has been named New England manager.

WEST BEND MUTUAL FIRE INSURANCE COMPANY

WEST BEND, WISCONSIN

STANDARD—UNIFORM
NON-ASSESSABLE POLICIES

Chas. W. Walter
President

RATED BY "BESTS"
"A" + EXCELLENT

WE INVITE AGENCY INQUIRIES IN FLORIDA, ILLINOIS, INDIANA, IOWA, MINNESOTA AND WISCONSIN. CERTAIN TERRITORIES OPEN FOR AGENCY REPRESENTATION.



ESTABLISHED 1894

UNEXCELLED SERVICE
AN AGENCY COMPANY

Robert S. Barber
Secretary

PREFERRED RISKS
SPECIAL RATES

Run on Personnel of Ky. Department Begins

William T. Hockensmith, assistant commissioner of Kentucky, and his brother, Kirtley Hockensmith Jr., executive assistant in the department, are resigning Dec. 12 to join the Zellner L. Peal general agency at Lexington.

Kirtley Hockensmith has been with the department since 1945, becoming executive assistant in 1950. W. T. Hockensmith was deputy state fire marshall and then assistant director of the state fire and tornado fund before joining the department in 1953.

These resignations are believed to be the forerunners of a vast exodus from the Kentucky department, all of them due on or about Dec. 12, the day before Happy Chandler returns as governor. Most prominently mentioned to serve as commissioner under Mr. Chandler is Cad P. Thurman, who is Kentucky state agent of America Fore and who has served previously as commissioner.

R. A. Burdon, director of the fire and tornado fund, also is leaving Dec. 12. He plans to go into retirement.

Two other officials left after the Kentucky primaries. H. W. Hill, life actuary, resigned in September to take a job with Lincoln Income Life at Louisville. Myrt Quirey, chief examiner, joined American Life & Accident at Louisville in August.

Commissioner Goebel has not resigned, though his replacement is considered a certainty.

Preferred Fire to Hike Capital to \$400,000

Preferred Fire of Topeka has increased its capital from \$250,000 to \$400,000 by increasing the par value of the common stock from \$10 per share to \$17.50, the increase coming from surplus.

The company is going on a multiple line basis. At the meeting of stockholders at which the capital increase and multiple line powers were voted, it was also decided to delete the prefix "The" from the title of the company.

Casualty & Surety Club

Yule Fete Set in N. Y.

Casualty & Surety Club of New York will hold its annual Christmas reception and dinner at Hotel Commodore in New York City Dec. 15. W. R. Ehrmantraut of American Surety is chairman of the entertainment committee. Samuel N. Williams Jr. of Maryland Casualty is secretary for the affair.

Buyers Hear Adjuster

D. W. Greig, Cincinnati manager of Western Adjustment, addressed the November meeting of Cincinnati chapter of National Insurance Buyers Assn. He talked on the problems of an adjuster.

GAB Has New Ark. Branch

General Adjustment Bureau has opened a new branch at Harrison, Ark., serving Carroll, Boone, Marion, Baxter, Newton, Searcy and Van Buren counties. N. M. Todd Jr., who has been resident adjuster at Harrison since 1954, will be manager.

Mr. Todd has been with GAB since 1947, starting at West Memphis, Ark., and going to Little Rock in 1953.

N. J. Square Club Elects

Howard E. Smith, adjuster, East Orange, has been elected president of Insurance Square Club of New Jersey, succeeding Frank J. Miller,

special agent of St. Paul F.&M. group. Robert S. Williams, assistant superintendent of Fire Insurance Rating Organization of New Jersey, a past president, installed the new officers at the annual meeting in Red Bank.

Other officers are J. C. Morrison, state agent of Pacific National, and Christian Young of W. H. Meeker agency, Elizabeth, vice-presidents; Floyd S. Hann, engineer of FIRONJ, treasurer; Frederick J. Pye of FIRONJ secretary; Calvin Baile, London & Lancashire, chaplain; Alfred G. McIntyre, U.S.F.&G., marshal; and Robert Pfeifer, Marsh & McLennan, Tyler, doorkeeper.

Program Set for Ark. Agents' Midyear

LITTLE ROCK—Howard Hutson of Denver heads the program of the annual mid-year meeting of the Arkansas Assn. of Insurance Agents here Dec. 5. Mr. Hutson's address will be "The Colorado Insurors' Story."

The gathering, which has as its theme local agency advertising, will also hear Dr. Robert M. Cooper, account executive, Merrill-Kremer, Inc., Memphis, on the subject, "What Advertising Means to Local Agents." Both

speakers will address the general session Monday afternoon.

The morning session will be devoted to reports from State National Director Lawrence Derby, Warren, and from the chairmen of the association's standing committees. One of the features of this session will be an open forum discussion on, "Where Are We Headed?"

Commissioner Combs will be guest and speaker at a luncheon. Registration will start on Dec. 4 and all standing committees will hold their own meetings Sunday afternoon.



Final Report Card for Freddy

■ Freddy was an A student. But he made the fatal mistake of trying to take a sharp curve at 70 miles an hour—and failed! No one had taught him that the laws of physics apply to automobiles too.

Every year thousands of our most intelligent youngsters are either killed, or cause someone to be killed, on the highway. In fact, one out of every four fatal auto accidents involves a youthful driver.

WHAT ARE WE DOING WRONG? It's not what we are doing—it's what we are not doing! We spend billions of dollars teaching our youngsters the 3 R's, and then neglect to teach them one of the most important things about staying alive today—the proper attitude for safe driving.

IS THERE AN ANSWER? Fortunately, yes! Today, learning safe driving is as necessary as the 3 R's. Doesn't it make sense that our youngsters be taught safe driving in high school along with reading, 'riting and 'rithmetic?

WILL IT WORK? We have proof that it has—and will! Whenever high school Driver Education Courses are available, trained young drivers have only half as many accidents as untrained drivers.

WILL YOU HELP? Your aid, as an insurance man and leading citizen, is sorely needed to support Driver Education in your local high school. You can start by using your influence with your PTA, school officials, school board and local Safety Council. Premium advantages to trained young drivers provide extra incentive. We'll help by sending you the informative folder entitled—"Teach Them to Drive... and Survive!"

ALLSTATE
INSURANCE COMPANY

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A&H Code Draws Fire but Adoption by NAIC Expected

Few Changes Made by Subcommittee; Brokers, Agents Want Voice

NEW YORK—The Pansing committee's A&H advertising code, in spite of considerable dissension from sources such as brokers and agents associations and a few commissioners, is expected to be adopted by National Assn. of Insurance Commissioners in substantially the same form as it appeared when it was first released Nov. 17.

The code underwent a public hearing here Nov. 26 at which arguments against either the entire code or portions of it were voiced, and the subcommittee of the executive committee of NAIC spent the rest of Saturday

and all of Sunday working on revisions in the code.

Changes were primarily in wording, and only in a few cases were substantive. Major changes include the change in definition of a policy to exclude A&H insurance when issued in conjunction with another kind of insurance; in the section of waiting, elimination, probationary or similar periods which was changed to read, "when a policy contains a time period between the effective date of the policy and the effective date of coverage under the policy or a time period between the date a loss occurs and the date benefits begin to accrue for such loss," and advertisements covered by section 3B, those referring to dollar amounts, periods for which benefits are payable, costs of policies, etc., shall disclose the existence of such periods. Also added was a stipulation, which was requested by Artemis C. Leslie, of Blue Cross-Blue Shield at the public hearing, that states that an advertisement shall not use a trade name, service mark, slogan, symbol or other device which has the capacity and

(CONTINUED ON PAGE 25)

Recommend Further Reserving for Sure Renew A&H

NEW YORK—Insurance department technicians have recommended active life reserves for guaranteed renewable A&H policies covering hospital, surgical, medical expense and loss of time. The recommendation was made to the subcommittee on the subject of National Assn. of Insurance Commissioners, headed by Holz of New York. Joseph Wikler, New York deputy, acted as chairman in the absence of Holz.

The technical group, headed by Charles C. Dubuar of New York, reported that where the degree of risk insured against increases with advancing age and the premium is level or nearly so during the continuance of the policy, active life reserves are needed. This is true of the categories of contracts named that are guaranteed renewable, renewable at option of insured but on which insurer may change the scale of premium, renewable only at option of insurer except that insurer may not refuse renewal solely because of deterioration of health.

The report asks that companies be placed on notice that such reserves will be required beginning Dec. 31, 1956, for issues of 1955 and thereafter. The reserves held shall be such as to place a sound value on future liabilities. The minimum reserve base shall not be less than reserves determined from tables of morbidity as recommended to and approved by this NAIC subcommittee combined with interest of 3% maximum and calculated on a preliminary term period of not more than two years.

Other tables or methods would be permissible if the aggregate reserve produced is not less than those required above. The requirements, and subsequent ones approved, would become part of the instructions for the annual statement for 1956 and after.

It was recommended that a technicians group be continued in an advisory capacity. The Dubuar group proposes to submit a further report at the meeting next June in St. Louis.

Task Force 4, headed by John Miller of Monarch Life, previously had reported to the technicians. At the hearing here, Mr. Miller expressed general approval of the proposal. He suggested that the report make it clear that the reserving asked should apply to accident only coverage as well as A&H contracts. He wondered if the word morbidity were broad enough to embrace accidental death, which should be included.

Jarvis Farley of Massachusetts Indemnity made similar suggestions. He said it should be clear that income non-can as well as hospital, etc., and loss of time contracts are subject to reconsideration as to reserves.

Correct Anniversary Year

In an item in last week's issue reporting an open house celebrating the anniversary of John H. Hunt & Co., investigating and adjusting firm at Chicago, it was mistakenly reported the company is marking its 50th year. The company was founded five years ago. Since then it has enjoyed rapid growth which on three occasions since 1950 has required a move to larger quarters in the Insurance Center building.

III. Storm Losses to Reach \$2 Million; Mich. Losses Less

Revised estimates of losses as a result of hail and wind storms which struck southern Illinois Nov. 15 indicate that they may reach \$2 million. Adjusters at the scene said that some 15,000 to 20,000 losses will average about \$100 each.

Losses following the general wind-storm over the state of Michigan Nov. 16, however, should be somewhat less than the earlier estimate of \$1½ million.

The hardest hit area in southern Illinois was a fifty mile strip extending northeast from East St. Louis through Mattoon. Winds of tornado force, however, resulted in some 1,000 isolated losses as far south as Evansville, Ind.

Western Adjustment and Underwriters Adjusting have set up storm offices in Mattoon to handle losses there and in nearby Beecher City, Oakland, Rardin and Pana. Western Adjustment also has storm offices at Vandalia and Mt. Carmel. The two companies have sent more than 80 additional adjusters into the southern Illinois area with more than half of them at the Mattoon storm offices.

Hail the size of golf balls driven by 73 mph winds caused heavy auto, glass and neon sign damage in the first hail storm to hit Mattoon since 1943. Losses in the area average \$250-\$300 and are expected to number 10,000. There was heavy hail damage to roofs and some 75% of the dwelling roofs will have to be replaced. There was also severe interior damage to hardwood floors and plaster walls as well as extensive water damage from melted hail.

The largest single loss in Mattoon was an estimated \$1/4 million damage to the almost completed Blaw-Knox Corp. building. The wind-driven hail pounded and pitted the polished aluminum facing of the building, ripping rivets from the metal and causing other damage. The loss was reported insured with the Factory Mutuals.

Other large industrial losses include the Gar Wood Manufacturing Co. more than \$3,000; and Young Radiator Co. and Davis Manufacturing Co. both of which are estimated at more than \$5,000.

Mt. Carmel and Albion were hit by a severe, though spotty, hail storm which caused an estimated 1,500 losses. The average loss is about \$300. The largest reported loss in the area was damaged to the screen and other facilities of an outdoor theater which should reach \$10,000.

There were some 2,000 losses averaging \$150 in the Vandalia area.

A storm office was also set up in Anderson, Ind., to handle an estimated 2,000 losses averaging \$200. Winds in the Evansville, Ind., area also caused about 1,000 isolated losses.

Winds which reached 60 to 65 mph whipped over the state of Michigan causing an estimated 30,000 losses averaging \$30 to \$40. Most of the damage was to roofs, storm doors and outdoor TV antennas. The storm was not centralized in any particular area. No offices have been set up in the state, but Western Adjustment has sent in an additional 12 adjusters. Underwriters Adjusting has been handling claims with its regular Michigan staff.



...by providing better service—through time gained by greater office efficiency. Just ask our Agency Management Service Division.



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The Connecticut Fire Ins. Co.
Equitable Fire & Marine Ins. Co.
Minneapolis Fire & Marine Ins. Co.
Reliance Ins. Co. of Canada

Agency Management Service Division
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Agency
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City Zone State

N. Y. Legislators Review Compulsory and Alternatives

By ELOISE WEST

NEW YORK—There was not much public interest in the hearing conducted by the joint legislative committee on unsatisfied judgment act and compulsory automobile insurance conducted here during the commissioners convention and in a hotel next door, but it provided a forum for the expression of views and principles by interested groups in the insurance business.

Sen. Neddo in introducing the hearing said the objective is to retain the common law doctrine of negligence and fit to it a solution to the problem of the uninsured motorist. He indicated that uninsured motorist cover and unsatisfied judgment funds constitute the big topics of interest but that his committee would hear also any discussion of impoundment, etc., and compulsory.

The committee, he said, had decided not to belabor the seriousness of the problem by putting more victims of uninsured motorists on the stand. However, the committee counsel, Michael F. Horgan, read the testimony of one victim which was put in a year ago at a hearing in Albany.

There was much interest in the testimony of Lewis H. Bambrich, manager of the unsatisfied claim and judgment fund in New Jersey, who had been asked by the committee to testify.

Answering questions put by the legislators, Mr. Bambrich said that from Jan. 1 to Oct. 31 this year there were 131,236 vehicle accidents in the state and 24,958 of them were uninsured. Since the fund went into operation in April it has paid \$1,200 in claims. In the first six months of operation, however, there have been 1,062 individual BI and PDL claims filed with the fund recognized as valid by the board, and the board has put up \$1,129,502 in reserves to pay them.

R. Newell Lusby, secretary of America Fore group, said he fears the proponents of compulsory are looking at the poultice and not the sore. They overlook the fact that the morally irresponsible motorist is the great problem and would be no matter what kind of insurance—compulsory or voluntary—was available.

He said he could conceive of no way in which any form of compulsory automobile legislation could be enacted without the final result of the state going into the insurance business and regulating rates. It happened with workmen's compensation, he said. The bill for compulsory automobile in New York will be paid by the 70,000 licensed agents and brokers, he said. Their livelihoods are up against the competition from the state.

The best answer to the uninsured motorist is the new uninsured motorist cover, he believes. He entered a plea for the state to give insurers a little more time to evaluate the cover, to obtain statistics and experience, before being required to junk it for something that could not come close to the protection offered by private insurers today.

Ray Murphy, general counsel of Assn. of Casualty & Surety Companies, asked legislators to consider the enactment of legislation which would require uninsured motorists to pay an additional registration fee so the money could be used for administering the financial responsibility law rather

than the present way, which puts the cost on the insurer. When the insurer bears such cost, he explained, the insured motorist eventually has to pay the cost through his premiums, Mr. Murphy said.

Cutting his prepared testimony considerably because much of the subject matter had been gone over by Mr. Lusby, Mr. Murphy explained why insurers, agents and brokers, as well as other groups such as New York Chamber of Commerce the board of trade, oppose compulsory, and he stressed the advantages of the new UM cover over any compulsory plan which could be offered. He believes that the insurance business has made a substantial contribution to the solution of the problem and even though it does not now cover pedestrians, when it is realized that about 75% of pedestrians are covered because they are members of car owning families, he said he does not believe the problem of the uninsured pedestrian is too serious.

Speaking for Motor Vehicle Commissioner Kelly of New York, C. F. Orsini, superintendent of safety of New York, said a survey made by his department disclosed that 87% of New York motorists are insured. There were 344,107 accidents in the state in 1954 in which 55,172 uninsured New York residents were the drivers of the cars and 7,136 were uninsured non-residents. There were 28,696 pedestrians injured and 833 pedestrians killed.

Arthur L. Schwab, of Staten Island, president of New York Assn. of Insurance Agents, said compulsory would not solve the problem of the innocent victim of the financially irresponsible motorist, the out of state car, unregistered vehicles, stolen cars and others.

In 1953 the agents group supported an unsatisfied judgment fund as an alternative to compulsory, he said, because it believed this to be vastly superior to compulsory. But UJF has definite drawbacks and uninsured motorist cover has made UJF unnecessary and emphasizes the drawbacks of UJF.

The requirement that the innocent victim obtain a judgment as a prerequisite to collecting from a fund means unnecessary time and expense, he pointed out. Under present New York court conditions it would be three, four or more years before the innocent victim collected for the accident. State funds of all kinds carry an obvious threat to private enterprise, he noted. The business should be given sufficient time to test UM cover. Also, there should be impoundment to strengthen the FR law.

Home Service of Dallas Is Up for Receivership

AUSTIN—Application for receivership of Home Service Casualty of Dallas has been filed in district court here by the attorney-general at the request of the Texas board of commissioners. The suit alleges the company has a deficit of \$157,000. There will be a hearing Dec. 31, and in the meantime the company is in temporary receivership. This is the 22nd Texas company sued by the attorney-general in the last two years in compliance with the board's request.

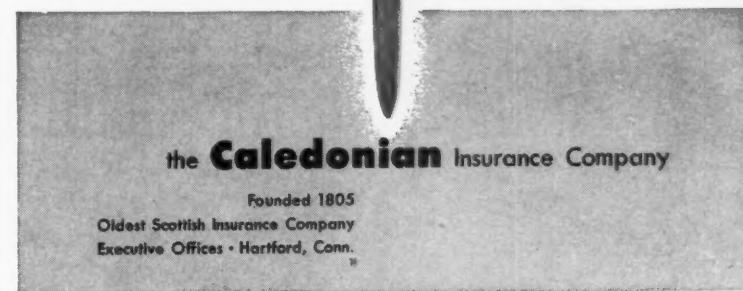
Home Service Casualty is one of the automobile finance insurers that were the subject of investigation by a number of commissioners meeting in Texas a few weeks ago. It is one of the companies mentioned as misclassifying auto finance business.



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The 17th Century Highlander with pistols and dirk on his belt, a round target on his back, in one hand a sword and a musket in the other, was perhaps the best armed soldier of his day. Changing conditions, however, outmoded his weapons and today they would offer little protection. Insurance, too, becomes obsolete if it is not adjusted to current conditions. Caledonian takes pride in the century and a half of up-to-the-minute protection its agents have given policyholders.



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H. G. Kemper Blasts "Medicine Man" Answer to Auto Problems

"Medicine men" solutions to the problem of financially irresponsible motorists were condemned by Hathaway G. Kemper, president of Lumbermens Mutual Casualty, in an address before a group of Lumbermens' agents in San Francisco last week. He said the solutions now being proposed, including those in New York and New Jersey, are not realistic and in the long run will increase rates.

The best solution to the problem, Mr. Kemper asserted, is an equal responsibility law. This would require each car owner to carry a certificate at all times showing that he is able to pay, either through private resources or through adequate insurance, for accidents he might cause. Present FR laws usually require such action only in the event of an accident, but the amendment would give traffic officers the right to require a driver to show his financial responsibility certificate just as he now has the right to see a

driver's license.

"I always have been against compulsion in this free country of ours," Mr. Kemper said, "But I am forced to recognize that we have compulsory workmen's compensation insurance, we have compulsory licensing of automobiles, and we have compulsory licensing of drivers. The equal responsibility idea extends the beneficial aspects of driver and automobile licensing."

An unsatisfied judgment law, he declared, assesses both the persons carrying insurance and their insurers to pay for the losses of those who don't carry insurance, and this is unreasonable and unfair. Because there apparently is a relatively high percentage of insured cars and financially responsible motorists in New York, Mr. Kemper said his company went along with other companies in offering the uninsured automobile endorsement. However, he said this is another incident of the responsible driver taking on the obligation of the irresponsible. "Obviously the costs of paying accident victims' losses will enter into rate computations."

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Plan Addition to Omaha Insurers' Home Office



The artist's conception above shows how the home office building of Mutual Benefit H&A. and United Benefit Life will look when a new nine-story structure is completed. The view is of the east side of the building. The new addition is that half of the nine-story structure on the right. The left portion of the nine-story structure is the 1948 addition to the original building, far left. The new addition, construction of which will begin shortly after the first of the year, will provide approximately 125,000 square feet of floor space.

The original building was constructed in 1940. Built to handle 10 years of expansion, it was soon over flowing and the first nine-story addition was constructed in 1948.

The companies will show the largest growth in their history during the current year. Since the original building was erected in 1940, United Benefit Life's insurance in force has increased

nine-fold from \$170,156,568 to \$1,574,942,447. In the same period Mutual Benefit H&A.'s premium income has multiplied nearly eight times from \$17,779,028 to \$136,413,936.

Litton Opens Adjustment Office

L. C. Litton has opened an independent adjustment office in the Benson district of Omaha. Mr. Litton, an attorney, was with Maryland Casualty at Omaha for five years, and for the last two years has been resident adjuster at Mason City, Ia., for Iowa National Mutual.

Helena Agents Back Safe-Teens

Helena Assn. of Insurance Agents has presented a check for \$100 to Helena Safe-Teens Club as a means of "showing approval" of the activities of the club in attempting to cut down juvenile traffic offenses.

Arthur H. Vint has been named branch field sales manager at Wausau for Employers Mutuals of Wausau. He has been with the company since 1933.

Claude C. Dupree (left) of Hartford Fire, New Orleans, was elected president of Capital Stock Fire Insurance Assn. of Louisiana at the annual meeting in New Orleans. He succeeds Charles M. Blackstock (right) of Northern Assurance who becomes secretary and member of the executive committee. Sidney S. Eshleman (center) of Loyalty group was elected vice-president, and new executive committee.

members are Frank J. Graf of Henry A. Steckler Co., New Orleans general agents, and M. Ward Sykes of Home. R. Kik Moyer, general agent of New Orleans, was chosen chairman of the executive committee.

Gifts were presented to Mr. Blackstock on behalf of the association by S. G. Peters of London & Lancashire, executive committee member and representative on the New Orleans Chamber of Commerce fire prevention committee.

In his annual report, Mr. Blackstock said that the association has an all time high membership of 125. The town fire hazard inspection of Jennings, La., was a success attended by almost a third of the membership, he said. He also pointed out that the inspection received state wide television coverage.

Other reports were given by Mr. Moyer for the fire prevention committee, Leo Wagner of Leon Irwin & Co., general agents, public relations; Harry G. Spaulding of Great American, membership; Richard C. Gilliam, general agent, loss committee, Mr. Peters, on the chamber of commerce fire prevention committee, and Louis P. Ducournau of American Equitable, sick and memorial committee.



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NAIA Executive Unit to Meet

Tentative plans for the 60th anniversary convention of National Assn. of Insurance Agents next Sept. 17-19 at the Waldorf-Astoria hotel in New York City will be discussed by the NAIA executive committee at its meeting Dec. 4-6 in Washington, D.C. The New York meeting is expected to challenge the record attendance set at Los Angeles this year when almost 2,500 registered.

Robert E. Battles, Los Angeles, vice-president of NAIA and executive committee chairman has urged all NAIA members in the vicinity of Washington to attend the committee meeting in the Sheraton-Park hotel there.

George S. Hanson, general counsel-secretary is expected to discuss the latest developments in personal holding company penalty taxes and may be able to report encouraging news on the subject.

Among other topics to be considered will be latest flood insurance developments, and activities of the public relations committee, including the contest for a symbol or slogan for the independent local agent.

President Kenneth Ross will go over some of the items which will be on the agenda for the midyear meeting of the state national directors, to be held with Eastern Agents Conference in Hartford, April 22-25.

Study WC Rates on Drive-in Theaters

ST. LOUIS—National Council on Compensation Insurance has advised officials of Theater Owners of America that a study will be made of reclassifying drive-in theater employes so as to set up new category under which WC rates would be based on the actual experience of such operations. The theater owners had protested to the council that under the present setup they are being classified, with the exception of the projectionists, as parking lot attendants, on which the rate is fairly high, whereas employes in drive-ins do not handle the automobiles but simply direct them. Ticket takers, managers and concession department personnel also are classified on the same basis as parking lot attendants.

A spokesman for Theater Owners of America, attending a meeting of Missouri-Illinois Theater Owners, said under a new classification the owners would save upwards of \$250,000 a year in WC premiums.

Agents' Qualifications Come up in D. C.

Applicants for insurance licenses in Washington, D.C., since 1953, have been required to state whether they were Communists or members of any group on the Attorney General's subversive list. Insurance Superintendent Jordan told the Senate subcommittee on constitutional rights. He said that as a result, two or three applications for licenses were withdrawn. His department has had no trouble with Communists, he said.

Meanwhile, the U.S. court of appeals at Washington, D.C., reversed the district court and Mr. Jordan's decision not to renew licenses of Atlantic Insurance Agency and S.F.&G. Agency of Washington, D.C. The decision will be studied by Mr. Jordan and his counsel. The only further appeal is to the Supreme Court.

Mr. Jordan has refused to renew the licenses because the agencies are said to be controlled by Dr. S. Dewey Gottlieb, former president of Columbia

Auto Loan Co., which local courts found guilty of cheating customers by charging for insurance without furnishing protection.

Under the law, the insurance superintendent must be satisfied that applicants for licenses are trustworthy. However, the appellate court found that the statute pertaining to license renewals, unlike the section on original licenses, states nothing whatever about lack of trustworthiness as a ground for refusal to renew.

Air Trip Loss from Colo. Crash to Exceed \$700,000

The aviation trip insurance loss incurred as a result of the crash of the United Airlines plane near Longmont, Colo., will exceed \$700,000.

As reported last week, 13 passenger had coverage with Continental Casualty, and this loss will amount to \$650,000. In addition, four Associated Aviation Underwriters policies had been purchased by those who died in the crash, totalling \$87,500. Two of the policies had a \$37,500 face value, and two others were for \$6,250 each.

Mutual Benefit H.A. was the insurer on the \$37,500 policy purchased by John Graham of Denver on the life of his mother. The policy was not valid, however, as it was not signed by the insured. Colorado is filing a murder charge against Graham.

Continental Casualty maintains an insurance booth at the Denver airport, while the other two insurers which suffered losses sell through vending machines. Mutual Benefit H.A. sales were made through Teletrip Policy Co., which it owns and operates.

Los Angeles Agents Hear Talk on Advertising

LOS ANGELES—Speaker at the November meeting of Insurance Assn. of Los Angeles was Bert Stewart of National Automobile Club, who talked on advertising and questioned whether ads being used by agents are producing business. He advocated use of direct mail, suggesting it be sent first-class. The mailing pieces should point out the need for coverage from the reader viewpoint, and the mailing should be followed up by a personal call.

Hugo M. Burgwald Jr., association vice-president said at the December meeting the association will consider a group hospitalization and medical plan. Also at the December meeting there will be the election of new officers.

\$138,000 Loss in Printing Plant Fire

Insurance loss from the fire which destroyed the Grinscom Publications plant at Glen Cove, N. Y., will run \$78,000 on contents and \$60,000 on building, the total amount of insurance carried. Loss was total on contents, which included printing machinery, paper stock, etc. Springfield F.&M. had \$58,000 on the contents, one other company had \$20,000 specific cover on two of the printing machines, and the building was insured for \$30,000 by

Firemen's of Newark, and \$30,000 by Factory Mutuals.

The fire occurred when a printer, alone in the plant, was using a coated paper that had to be dried by a gas flame. The paper caught fire and the flame quickly got out of control.

Mountain Mutual Agents Elect

Rocky Mountain Assn. of Mutual Agents has elected R. Leonard Bryant of Englewood, Colo., as president; Morris Thedford as vice-president, and Irene Kelley of Denver as secretary-treasurer.



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St. Louis Board Won't Pay 1956 Dues to State Association

Members of Insurance Board of St. Louis have received a letter from their president, J. B. Hill, telling the present status of the board in relation to Missouri Assn. of Insurance Agents. The St. Louis Board "withdrew all support" from the state association immediately after the state meeting early in November at Kansas City.

Mr. Hill's letter says:

"The executive committee and the president's advisory committee met in a special meeting Nov. 8. At the meeting, action was taken to withdraw all support of the St. Louis board from the Missouri Assn. of Insurance Agents. This action was unanimous. We believe the action to be in our members' interest, and that it would have your unqualified support."

"For years a portion of our members' dues has been remitted to the Missouri association, making our members also a member of that association and the national association. The policy of our board has always been in favor of the state association, and we have always given it our support."

"We do not believe that the Missouri association, as constituted during the past several years, has represented the interests of the agents of St. Louis and St. Louis county. Frankly, the contrary might be true. The administrative and financial policies of that association, coupled with the attitude of that association at the last two annual meetings, has been of such a nature

that the executive committee felt our only alternative was to remove our support. Therefore, in view of the above, we will not remit any portion of our members' dues to the Missouri association for the year 1956. All of such dues will remain in the local board in a restricted account to be held for any future alignments deemed necessary by the executive committee."

"We regret that this action became necessary. We hope that the situation might clarify itself at some future date."

"This subject will be brought before the membership at our annual membership meeting early in January. In the meantime, if you desire additional information, you may call the insurance board office or myself."

The dues of the St. Louis city and county agents for 1955 already have been paid to the state association, so the real test of the request last week by President Joe Jackson of the Missouri association that the St. Louis agents pay their dues direct to the state association will not come until the 1956 assessment is levied. As dues-paying members of the state, the St. Louis agents' standing in the state and national associations could not be affected by the controversy between the St. Louis board and the administration of the state association.

The differences between the St. Louis board and the state association are many and varied, deep-rooted and of long standing, it would appear. One of the major differences is over a proposed 50% increase in the dues of the state association effective in 1956. There is some feeling, it is understood, between St. Louis and out-state agents on the "excepted city" status of St. Louis.

The St. Louis agents received a week

Receivership Set for Inland Empire

Continental National Bank & Trust Co. of Salt Lake City has been appointed receiver of Inland Empire by federal court. The receivership follows the failure of the attempts by the Idaho department to rehabilitate the company. Inland Empire is incorporated in Idaho but has had its home office at Salt Lake City except for the brief time it was in Phoenix.

Attorneys representing directors and minority stockholders of Inland Empire opposed the receivership, as did the attorneys representing majority stockholders, Trans-Pacific of Phoenix, and its receiver, director Bushnell of Arizona.

The receivership was favored by deputy commissioner Albertson of Idaho, who said that the department could not restore the company because several state insurance departments had been unable to cooperate. These states declined to release any of Inland Empire's \$900,000 of security deposits, and on top of this many of the agents did not pay their balances due amounting to more than \$1½ million.

ago a letter from Joe Jackson of Maryville, president of the state association, containing a resolution from the state directors, informing the individual agents in St. Louis that they would be billed direct for the 1956 dues. This resolution also said the Missouri association "hereby withdraws all recognition of the Insurance Board of St. Louis as an affiliated local board."

Surplus Line Laws Study Set by NAIC

NEW YORK—A committee is to be appointed by the subcommittee of laws and legislation to study the statutes of all the states concerning surplus lines and report at the next meeting of National Assn. of Insurance Commissioners with an eye to establishing a uniform surplus lines law. The committee will be made up of representatives of insurance and NAIC, Gold of North Carolina, chairman of the subcommittee, said.

The discussion during the meeting brought out that in states which have recently adopted surplus lines laws, such as Connecticut, a guide such as a uniform surplus lines law would be helpful. Connecticut has been seeking assistance from New York which has had the law several years, it was brought out, and perhaps in this way a semblance of a uniform law has been attained, although it has never officially been written.

Some states have made some kind of admission of London Lloyds, considering them as a kind of admitted insurer. In California, however, the practices followed have never been put into law. It is believed that state will now tighten up its surplus lines law to include some of the present practices.

Sen. Humphrey to Ask for Federal Safety and Fire Prevention Bureau

ST. PAUL—Sen. Humphrey of Minnesota has announced he will introduce in the next session of Congress legislation to reduce "the appalling number of injuries and accompanying dollar losses" to the government caused by fire and accidents. His bill will provide for establishment under the civil service commission of a consolidated federal safety and fire prevention bureau to coordinate all accident, injury, fire prevention and loss prevention procedures conducted by governmental departments and agencies.

Government injury rates are higher than injury rates of private industry, the Senator said. Last year more than 80,000 civilian federal employees were injured at a direct total cost of \$26 million, and fire losses in government cost another \$20 million, he declared.

The bureau proposed by Sen. Humphrey would be headed by a director of federal safety and fire prevention, to be appointed by the president and to be paid \$15,000 a year.

Great American Was Not Seeking Block Business in O. Before April

An official of Great American has written THE NATIONAL UNDERWRITER in regard to the story last week concerning block policies being filed as multiple line in Ohio. The company officer states:

"The closing paragraph of this article states: 'Both Aetna Fire and Great American were among insurers which have been writing commercial block more or less aggressively in Ohio prior to April.'

"The 'more or less' in the sentence quoted is noted, but inference would seem intended that Great American was aggressively writing commercial block policies in Ohio prior to April. Such inference would be incorrect."

F. & D. on Cal. Bond

LOS ANGELES—Morrison-Knudson Co. has been granted a contract by the U.S. Engineers at a price of \$1,266,700 for construction of the Mohawk laterals at the Gila project near Willow, Ariz. Fidelity & Deposit is surety on the work.

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MINNEAPOLIS—Fireman's Fund group will occupy the first floor of a new \$250,000 office building to be constructed in St. Louis Park, a Minneapolis suburb, by a Minneapolis real estate development firm. The Fireman's Fund office will be a three-state branch serving Minnesota and North and South Dakota. George C. Maxwell, who has been general agent for the group in Minnesota, will be in charge.

Fireman's Fund to Expand Minneapolis Office

THE NATIONAL UNDERWRITER

Navarre Calls for More NAIC Study on Union Welfare Funds

NEW YORK—Commissioner Navarre of Michigan, chairman of the NAIC subcommittee on commercial pension funds and trusted welfare funds, reported to the subcommittee's first session at the semi-annual meeting here, that the group was not prepared to discuss any particular proposals because it lacked enough time to study the report.

Observers expected that the subcommittee would have no specific proposals for the plenary session later in the week and would tell the full membership that it would make an effort to present a report at the June meeting.

Robert A. Crichton, counsel of American Life Convention, said his organization is interested in the question of whether the operation of union pension plans constitutes doing an insurance business. But due to lack of time, he said, ALC had no proposal ready for the meeting.

Mr. Crichton said ALC and Life Insurance Assn. of America had a joint committee which would like to make a proposal on the subject to NAIC at a future meeting.

Albert Pike Jr., actuary of LIA, repeated arguments put forth by the ALC-LIAA joint committee on union welfare funds at the recent New York insurance department hearing. The committee is more than willing to work with the NAIC's subcommittee to develop "proper legislation," he said.

The immediate problem is the welfare fund situation in New York state, he said. The ALC-LIA's position in

this state does not necessarily carry for the rest of the country because laws in other states are different.

The joint committee's overall policy is that if there is to be regulation, it should be done by the states and not the federal government, Mr. Pike emphasized.

There are two phases to the New York welfare fund problem, the non-insurance phase and the insurance phase.

He illustrated this by pointing to joint trusted plans which receive money contributed by employers. The trustees then select an insurance company, and at this point, the insurance business enters the picture. Before the trustees buy insurance, they are only collecting money and are not in the insurance business.

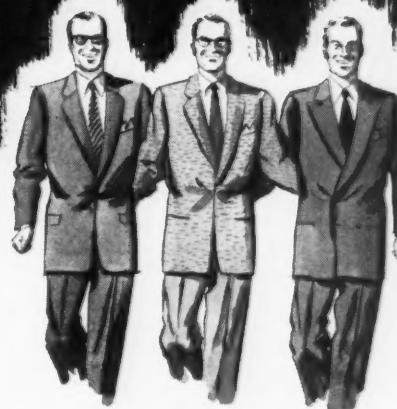
In cases where the trustees decide against buying insurance and will provide the benefits through their own fund, the ALC-LIA group believes—in New York state at least—that these funds are entering the insurance business, Mr. Pike declared.

The joint committee favors disclosure legislation, once it is decided what must be disclosed, he said.

Trusted funds and insurance companies both pay benefits, as long as they have the money. In New York at least, it does not matter to employees which promises the benefits, he said.

"In actual fact, if not in legal form, we have a lot of insurance going on outside the insurance department," he said. This is bad for the insurance business and for the departments. Also, it opens the way for loss to the states of the premium taxes from the companies if unions can set up their own funds to provide benefits without buying insurance.

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Convention Dates

Dec. 3-4, National Assn. of Insurance Brokers, midyear, Kansas City, Mo.
Dec. 4-5, Arkansas Assn. of Insurance Agents, midyear, Little Rock.
Dec. 8, Louisiana Assn. of Insurance Agents, midyear, Captain Shreve hotel, Shreveport.
Dec. 8, Insurance Federation of New York, annual, Hotel Commodore, New York.
Dec. 14, Eastern Underwriters Assn., annual, Biltmore Hotel, New York.
Dec. 28-29, American Assn. of University Teachers of Insurance, annual, Hotel Roosevelt, New York.

1956

Jan. 9, International Federation of Commercial Travelers, midyear, Edgewater Beach hotel, Chicago.

Feb. 22-24, Michigan Assn. of Insurance Agents, midyear, Sheraton-Cadillac hotel, Detroit.

March 5-7, National Assn. of Surety Bond Producers, annual, Roosevelt hotel, New Orleans.

March 7-8, Fire Underwriters Assn. of the Pacific, annual, Sheraton-Palace hotel, San Francisco.

March 9-10, State Mutual Agents Assn. of Pa., annual, Ben Franklin hotel, Philadelphia.

March 22-24, Texas Assn. of Mutual Insurance Agents, spring meeting, Austin.

Mar. 23-24, Assn. of Insurance Attorneys, annual, Atlanta, Ga.

April 5-7, Southern Agents Conference, Francis Marion hotel, Charleston, S. C.

April 8-10, National Assn. of Insurance Agents, midwest territorial conference, St. Paul.

April 8-10, Mutual Agents Assn. of New York, annual, Hotel Syracuse, Syracuse.

April 14-15, Colorado Insurers Assn., annual, Broadmoor hotel, Colorado Springs.

April 14-15, Rocky Mountain Territorial Conference, Broadmoor hotel, Colorado Springs.

April 16, Rhode Island Assn. of Insurance Agents, midyear, Sheraton-Biltmore hotel, Providence.

April 16-17, Iowa Assn. of Mutual Insurance Agents, annual, Hotel Savery, Des Moines.

April 22-25, Eastern Agents Conference, annual, Hotel Statler, Hartford.

April 23-25, National Assn. of Insurance Agents, midyear, Hotel Statler, Hartford.

April 30-May 2, Chamber of Commerce of the U.S., annual, Washington, D. C.

April 30-May 2, Iowa Assn. of Mutual Insurance Agents, annual, Hotel Savery, Des Moines.

May 3-5, Louisiana Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

May 3-5, National Assn. of Independent Insurance Adjusters, annual, San Souci hotel, Miami Beach.

May 6-8, Alabama Assn. of Insurance Agents, annual, Whitley hotel, Montgomery.

May 7-8, New York Assn. of Insurance Agents, annual, Syracuse.

May 7-9, Board of Fire Underwriters of the Pacific, Santa Barbara Biltmore hotel, Santa Barbara.

May 10, Surety Assn. of America, annual, New York.

May 10-12, Florida Assn. of Insurance Agents, annual, George Washington hotel, Jacksonville.

May 13-16, H&A Underwriters Conference, annual, Hotel Statler, Boston.

May 14, National Bureau of Casualty Underwriters, annual, New York.

May 14-15, Kentucky Assn. of Insurance Agents, Western District, Kenlake State Park, Hardin.

May 14-15, Oklahoma Assn. of Insurance Agents, annual, Mayo hotel, Tulsa.

May 16-18, National Assn. of Insurance Brokers, Boston.

May 17-19, North Carolina Assn. of Insurance Agents, annual, Hotel Carolina, Pinehurst.

May 17-19, Texas Assn. of Insurance Agents, annual, San Antonio.

May 17-19, Arkansas Assn. of Insurance Agents, Arlington hotel, Hot Springs.

May 20-22, Insurance Accounting & Statistical Assn., Hotel New Yorker, New York.

May 20-23, Inland Marine Underwriters Assn., annual, Shawnee Inn, Shawnee, Pa.

May 20-23, Inland Marine Insurance Bureau, annual, Shawnee Inn, Shawnee, Pa.

May 21-22, Kentucky Assn. of Insurance Agents, Eastern District, Cumberland Falls State Park, Corbin.

May 21-23, American Assn. of Managing General Agents, annual, Shamrock hotel, Houston.

May 23, Midwestern Independent Statistical Service, annual, Bismarck hotel, Chicago.

May 23, National Automobile Underwriters Assn., annual, Roosevelt hotel, New York.

May 23-25, Georgia Assn. of Insurance Agents, annual, Oglethorpe hotel, Savannah.

May 24, National Board of Fire Underwriters, annual, Hotel Commodore, New York.

May 28-29, Georgia Assn. of Mutual Insurance Agents, annual, King & Prince hotel, St. Simons Island, Ga.

May 27-30, Virginia Assn. of Insurance Agents, annual, Hotel Chamberlain, Ft. Monroe-Old Point Comfort.

June 4-8, National Fire Protection Assn., annual, Boston.



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History, Problems of Marine Insurance in Wartime Discussed at Marine Forum

A detailed picture of marine insurance in wartime was given by Henry C. Thorn, resident vice-president of North America in New York City, at a meeting of American Marine Insurance Forum in New York City. He is chairman of American Cargo War Risk Reinsurance Exchange and chairman, since its inception, of the exchange's underwriting committee.

The American ocean marine insurance market issues a distinct self-sustaining war policy, Mr. Thorn said. It refers to the marine policy itself, but only in the description of the shipment covered, valuation, etc. Risks covered are capture, seizure, destruction, etc., and in the last 20 years it has included piracy. Delay and deterioration and losses of market are not covered. Nor is there coverage if insured abandons the goods for reasons other than physical damage to the ship or cargo, until after condemnation of the property by a prize court of the captor.

Mr. Thorn believes it is undesirable to place war risk and marine insurance on the same shipment, with different insurers. Before World War I, war and marine coverages were placed in one insurer. During that war, however, government bureaus and fluctuating rates in the open market were established and shippers often found it cheaper to shop around and place the war risk at the lowest rate. There was a somewhat similar situation in World War II, chiefly brought about by the subsidized British government war office, whose rates were very much lower than those of commercial insurers. The British government did not write marine insurance and the problem of a missing ship was a live one on both sides of the Atlantic.

Many perils other than those covered by the war risk policy grow out of war conditions, but must be borne by the marine underwriter, Mr. Thorn said.

Large groups of vessels making voyages in armed convoys, sailing without lights, zig-zagging, navigating waters from which channel markings, lights and other aids to navigation are removed greatly increase the danger of stranding and collision.

Casualties that raise controversies over whether they fall within the scope of the marine or war policy will arise from time to time, he said. A collision between a merchant ship and a war vessel may or may not be a war loss, depending on whether the war vessel was engaged in a warlike operation. Destroyers in the course of patrolling the seas in search of enemy submarines, war ships convoying merchantmen for protection and, if nec-

essary, combat, are engaged in warlike operations as is a warship on a warlike operation while she is proceeding to her station under orders to take up convoy escort duty.

It was pointed out, in the English Mattiana case, that not everything done by a king's ship or a king's officer in time of war is necessarily a warlike operation, however. In the S.S. Richard de Larrinaga case an English court referred to a warship proceeding to a port in order that her bottom might be cleaned or her boilers overhauled as a possible exception. Two merchant ships running in a convoy colliding with each other has been held a marine loss under English law. Had one of the destroyers convoying the flotilla run down one of the merchant ships, however, this would have been a war loss for the warship was engaged in a warlike operation. It has even been said that a merchant ramming what he thought was a submarine which proved to be submerged wreckage, and which sank him, was a war loss just as much as if it had been a submarine he was endeavoring to sink.

The exchange was fortunate with the number of large lines it had during the 1939-41 period, Mr. Thorn said. A cargo of tungsten ore going from China to the U.S., valued at \$8 million, arrived safely. A large shipment of vanilla beans traveling from Madagascar to the U.S., valued at \$7 million, by a circuitous route via Cape Town and transhipped in three vessels to split up the risk, finally arrived safely.

However, in March of 1942, the exchange incurred losses of more than \$16 million, in April more than \$24 million. This was more money than it took in in 1936. In May the losses were more than \$14 million and in June almost \$19 million.

There were many missing vessels, but two were outstanding cases during World War II. Two Canadian steamers, the Nereus and the Proteus, sailed from St. Thomas in the Virgin Islands to Portland, Me., in the latter part of 1941 carrying full cargoes of bauxite. Both vessels disappeared. It was a difficult case. The weather was bad. There was considerable doubt about the seaworthiness of both vessels. The vessels were flying the Canadian flag and Canada was at war with Germany. German submarines were known to be active in Atlantic waters.

There was some conjecture that the vessels had been captured by a German submarine or raider and taken into a German port. When the war

was over and the records of the German admiralty became available, there was no mention of either ship. It is possible that the vessels were sunk by a German submarine that was later annihilated so that the possibility of any information coming to light no longer exists.

The loss was settled with marine underwriters paying 50% and the war risk underwriters paying 50%.

Marine perils are increased in time of war, Mr. Thorn said. Vessels may be overloaded. They often take circuitous routes for safety. During World War II many vessels trading between the U.S. and India proceeded, not by the natural route through the Straits of Gibraltar and the Suez Canal, but by way of the Panama Canal, the Straits of Magellan and the Cape of Good Hope. As a result the wartime extension clauses were adopted. For an additional premium charged in advance, these clauses automatically cover shipments during deviations, detentions, etc. These clauses have become the marine extension clauses—in London they are called the extended coverage clauses.

In dealing with war risk, both the present and future must be considered, Mr. Thorn said. A vessel sailing under a neutral flag today may become a belligerent before the voyage is ended. That happened suddenly and involuntarily to the Norwegian and Danish merchant marine when their countries were invaded without warning during World War II. However, if the risk is bound and the goods are loaded on the vessel, the risks may not be cancelled, he admonished.

One of the leading cases in connection with the principles of proximate cause that involved both marine and war risk is the Hatteras Light case. During the civil war in the U.S. a shipment of 6,500 bags of coffee from Brazil to New York was covered under a policy which contained the FC&S clause. The lighthouse on Cape Hatteras had been extinguished by confederate soldiers for military reasons. The master of the ship missed his reckoning and stranded. Eventually the ship broke up. About 120 bags of coffee were saved by salvors and appropriated by confederate troops. Troops interfered with the salvage of 1,000 others. The balance of the coffee remained on board and was totally lost. The court held that the proximate cause of the loss of 120 bags confiscated and the 1,000 bags which were prevented from being landed by troops was a consequence of hostilities. The loss was exempted by the FC&S warranty and the marine underwriter was not liable.

The 5,380 bags which remained on board and were subsequently lost was held to be a marine loss with the proximate cause held to be the acci-

dental stranding of the vessel. The court held the extinguishing of the lighthouse was too remotely connected with the loss to bring it within the exception.

Generally speaking, Mr. Thorn said, insured must prove the loss or damage he is claiming has been due to a peril insured against.

One great problem of both war and marine underwriters is vessels that disappear at sea. The English case of the ship Inveramsay, posted as missing during World War I, is an illustration. (CONTINUED ON PAGE 27)

Neb. Newspaper Lauds Agency System

The agency system and the services of the local agent were the topic of a recent editorial in the *Superior Express*, Superior, Neb. Under the headline "No Thanks, I Don't Want Any," the editor wrote:

"A circular letter received by the *Express* editor and we presume by many other Superior persons, advertises a big 'saving' on fire and automobile insurance to which we have the following reply:

"No, thanks! We shall be obliged to reject the offer... We get reasonable insurance rates by purchasing our insurance protection from established, reputable local agents who are here on the ground and whose services will be available should we have a loss against which we are protected in the standard insurance policies in our safe. We would not be obliged to indulge in lengthy correspondence with some stranger in Kalamazoo, or Timbuktu. The local boys would be on the job, would check and report the loss, and settlement would be made without difficulty or quibbling.

"Moreover, the established insurance agents are our friends and neighbors. They help support the Superior schools which two of my kids attended for about 10 years, and from which they were graduated; they help support the churches that provide me and mine spiritual stimulation; they help support the police agencies that protect my property against plunder; they help support the fire department that protects my property against fire; they help support the city, school district, district, county and state governments that bestow many blessings upon me.

"Why should I take my insurance business from these benefactors, these friends, these fellow citizens and give it to some foreign concern that doesn't care a tinker's dam about Superior, except for what profit they can extract from Superior?

"The few cents I would save on every hundred dollars of insurance protection I now have wouldn't begin to compensate me for the trouble and inconvenience in event of a loss. It isn't worth the difference.

"Cheap insurance is like any other cheap commodity; it's very apt to be more expensive in the long run."

Challenge of Partial Subscriber Discussed

(CONTINUED FROM PAGE 2)

used in 1885, when the offender was brought to task and the weight of adherence by membership brought a wholesome, persuasive influence to bear—or else expulsion. But there is a vastly different set of rules today.

The challenge has to be met without further delay, he believes. Strengthening rules may help some. It is now being attempted by Pacific Fire Rating Bureau, but in New York the recent litigation did not clear the atmosphere but merely showed up the weaknesses in the law itself.

The real solution of this problem will come only by corrective amendments to the rate regulatory laws themselves in those provisions dealing with subscribership, he suggested.

Partial subscribers, he noted, write a class of business for which the rating association must perform all the services and offer its facilities, only to be advised by a subscriber that it will use the work result but will subscribe for only a part of the rating bureau's service. There seems to be no reasonable basis upon which that partial subscriber should be relieved of any of the assessment.

Commenting that the business already has stated the sound reasons why it is impractical to expect private insurers to provide flood insurance on fixed properties, Mr. North said the business certainly should invite the use of its facilities to supply the mechanical means for distribution of coverage, advice on contractual conditions, and machinery for loss ad-

justments, in case the government enters the field.

Insurers can, he said disseminate factual material to prevent more serious losses; for example, the guide to builders on wind-resistant construction. Several years ago National Board developed a valuable addition to its building code dealing with this subject. In Dade county, Fla., the merits of these wind-resistant features in buildings have been well tested, and they have proved successful. Promotion of this material perhaps has been too confined.

On account of the rapidity with which new ideas and changes in forms and rating plans are developing, it may be that the necessary delays accompanying committee action will inspire a company member or subscriber to file independently without prior submission to the rating bureau. This is too bad. Even with a tremendous work load rate bureaus try to study and handle all legitimate demands. Further streamlining of operation can help, but what is really needed is a method for performing a different scale of research than staff and committees now are equipped to handle.

Industry depends on research to keep up with competition, to create new markets, and to anticipate consumer demands. Too often the insurance business awaits the development of a problem and then stumbles around trying to find a solution. To be prepared is worth something even if the answer is negative. A small instance

would be the Texas proposal for a graduated rating plan for dwellings. Whatever its merits or demerits it should be studied now, not only because of its possible implications at a future date, but also because all things like that spread to other states and to other classes of business. A research division with imaginative personnel is of course, an essential to work under a guiding committee of company executives. Such a "laboratory," coming from within instead of from "without," would be a novelty, but far more acceptable. The business and associations like this have no well organized method for experimentation and capitalization of the wealth of statistical information and experience data already in its files. The business spends thousands of dollars gathering information and yet no imaginative use is made of it.

The country and its economy are growing so fast that SEUA cannot wait for the public or competitors to create its future. To keep pace with competition and maintain leadership will require imagination and research that can anticipate future markets. The cost of such experimenting is a small premium to pay for so much of a promise. SEUA cannot afford to miss out to being so enslaved with present problems that it fails to visualize and prepare for its really big opportunity just over the horizon, he declared.

Detroit Agents See Film

Detroit Assn. of Insurance Agents will see a film on the results of research by auto manufacturers in safety design and engineering on Dec. 6 at the Statler hotel.

Add \$2 Million to Surplus of Safeco

Directors of General America Corp., the holding company for the General of Seattle group, decided last week to add \$2 million to the surplus of Safeco, to bring the present capital and surplus to a total of \$4,255,000.

Safeco in the first nine months had premiums of \$9,043,000, and the estimated volume for 1955 is in excess of \$12 million. This would be double the business of 1954.

Safeco was organized in the fall of 1953 with a capital and surplus of \$2 million. The company has had a phenomenal growth, selling six-month continuous private passenger automobile policies, billing direct. The company has more than 3,000 agents.

Baum Retiring: ABA Names Hottendorf

George H. Hottendorf of Bellerose, N.Y., has been promoted to deputy manager in charge of the insurance and protective committee of American Bankers Assn. effective Jan. 1. He will succeed Deputy Manager James E. Baum, who is retiring after having been in charge of the insurance and protective committee since 1924.

Mr. Hottendorf, a member of New York state bar, was chief clerk and assistant manager of the criminal investigation department of William J. Burns Detective agency of New York City 1916-1923. He joined ABA in 1923 as assistant to the manager of the insurance and protective department. In 1931, he became assistant secretary of the insurance and protective committee, and in 1947, secretary.

Brooklyn Fire Loss to Exceed \$100,000

Insurance loss on a fire which damaged Saben Glass Co. in Brooklyn will run \$112,500 on merchandise and \$30,000 on machinery and equipment, and it is not yet known how much on the single story brick building. The fire started in the night and the cause is not known.

Bank Buyers to Meet

At the Dec. 8 meeting of Savings Banks Insurance Forum of New York, Kingsley Van Wagner of Home will review the great New York fire of 1935 and its effect on the financial and insurance life of the city. The business meeting will be followed by the annual Christmas party.

Pa. General Enters Wash.

Groninger & Co. general agency of Seattle has entered Pennsylvania General, the new \$5 million affiliate of General Accident, in Washington to write participating fire business on a 15% dividend basis with a six month or annual auto policy at prevailing reduced rates.

Award Coast CPCU Scholarships

The 1955 CPCU scholarships offered each year by Fire Underwriters Assn. of the Pacific, have been awarded to C. E. Byrne of Balfour, Guthrie & Co. of Seattle, and Frank G. Ogiela of Employers Mutual at Los Angeles.

Philadelphia Surety Assn. Elects

Surety Underwriters Assn. of Philadelphia has elected Jackson B. Ferren of American Surety, president; A. A. Michelbacher of Travelers Indemnity, vice-president; J. F. Derrickson of New Amsterdam Casualty, secretary; and Horace W. Steel of Globe Indemnity, treasurer.

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Brokers and Agents Still at Odds on Qualification Bill

NEW YORK—Spokesmen for organized brokers and organized agents presented pro and contra opinions about the proposed minimum qualification bill which has been prepared and urged by National Assn. of Insurance Brokers. The measure was considered by a subcommittee of National Assn. of Insurance Commissioners a year ago but no action was taken. A new subcommittee on the same subject, headed by McConnell of California, heard the arguments at this meeting.

McConnell suggested, in view of the difference of opinion among producers, that the brokers present the bill as part of a statement of principles, a finding of fact, and an indication of need. This, he suggested, might eliminate one objection of agents, that the bill, though tagged a minimum bill, actually will become a "model bill" once it is proposed in any state. This, the agents argue, will hamper adoption of producer qualification legislation. Neither brokers nor agents cottoned to this suggestion. The broker view was presented by Hal D. Willson, president of NAIB, and Barclay Shaw and Lawrence Pomeroy, counsel of that organization. George S. Hanson, executive secretary and general counsel of National Assn. of Insurance Agents, put the arguments of agents against the measure.

Brokers contend the minimum bill would tend to raise standards in states where the standards presently are lower than the minimum bill. Few object to the substantive portions of the measure. It is flexible while containing minimum positive provisions.

Mr. Hanson said agents are convinced that uniform qualification bills have no value when applied in a particular state. Appointment and licensing of agents is peculiarly a state problem. A minimum bill will be considered a model bill immediately once it is proposed because when specific legislation is urged in a state. It is opposed at every point it doesn't match the minimum recommended legislation.

Mr. Pomeroy wondered if agents really object to the bill because they fear it will lead to admission of brokers in 13 states where they are not presently allowed. He said he was surprised at the temerity of agents in opposing the measure. After all, it deals only with brokers.

Manley Retiring after 41 Years in Agency Business in Duluth

Howard G. Manley, vice-president and manager at Duluth for Marsh & McLennan, is retiring Dec. 1 after 41 years in the agency business there.

William P. Bredesen and Robert H. Magie Jr. have been appointed M&M. resident vice-presidents, Mr. Bredesen succeeding Mr. Manley as Duluth manager. Vice-presidents Paul F. Otis and John D. MacArthur will continue their production activities and act in an advisory capacity to Mr. Bredesen.

Mr. Manley started with the Manley-McLennan agency in 1914. After the death of his uncle in 1916 he was appointed vice-president and office manager by D. R. McLennan, president of the agency. He served in that capacity until after Mr. McLennan's death in 1944, when Marsh & McLennan purchased the Manley-McLennan agency and Mr. Manley was named vice-president of the Minnesota corporation.

Unions Fight State Control of Welfare Funds

(CONTINUED FROM PAGE 4)

states despite the fact that substantial interests in his agencies were owned by known racketeers and criminal elements.

"Indeed, that man was issued an agent's license in this very state, apparently without any investigation into his background, connections or financial backing. State insurance authorities in this state and in other states failed to conduct any examination of his financial accounts and operations during all the years of his activities. Such an examination could easily have exposed the nefarious activities of this broker and would have prevented the continuation of the abuses now so roundly denounced.

"It would therefore seem that had the state insurance authorities fully discharged their supervisory responsibilities many of the abuses would have been nipped in the bud or prevented altogether.

"I submit that the primary reason for the failure by state insurance authorities to carry out their full responsibilities as representatives and protectors of the public interest lies in the fact that the special interests of the commercial insurance agencies play too large a role and exert too strong an influence over state regulatory agencies.

"If the investigations of health and welfare plans have disclosed anything in the way of a general proposition, that proposition is that state regulatory agencies are seriously in need of reform. Steps in the direction of such reform should be designed to make these agencies more alert and responsive to the public interest and the interests of the consumers of insurance services.

"One such step would be the creation of effective permanent public advisory boards to review and report on the activities and policies of state insurance authorities as well as to recommend new measures. The membership of such boards should be drawn from the public at large and from interested groups outside the insurance industries, such as labor, which have a consumer interest in the operations of the industry. I note that such advisory councils exist in the fields of unemployment insurance, workmen's compensation and disability benefits insurance. They have played a strong and constructive role in the proper administration of these laws and in the formulation of changes in these laws. I believe that the insurance law could equally benefit from the creation of a similar advisory council."

Like the CIO representative whose

testimony was read into the record the opening day of the hearing, Mr. Hanover wants the state law governing commissions to be altered to eliminate the requirement that even though a broker or agent's services are not employed or performed, commissions must nevertheless be paid or included in the premium and retained by the insurance carrier.

Mr. Hanover quoted the American Federation of Labor's position on this and also its contention that a code of standards governing the maximum amount of commissions and service fees should be adopted and enforced by the state insurance authority. He quoted the AFL statement to the effect that "state insurance commissions and departments should assume and exercise a greater degree of responsibility for the integrity, competence and character of agents and brokers who are licensed by the state."

"In short," said Mr. Hanover, "it is our position that direct regulation of welfare funds must be federal but that such federal legislation should be supplemented by the improvements of state-wide standards for the operation of insurance carriers, agents and brokers."

Mr. Hanover urged that whatever laws are made applicable to joint union-management welfare funds should be equally applicable to those administered exclusively by management, whether employer organizations like it or not.

"The exclusion of management administered plans would be unfairly discriminatory in its effects, for it would impose burdens and costs upon one type of plan while granting immunity from those burdens and costs to another," he said. "It would, in other words, have the effect of punitive legislation against jointly administered plans as such, regardless of whether or not they are in fact honestly and efficiently administered."

Mortimer M. Denker, chairman of the group insurance committee, appeared at the hearing in behalf of New York State Insurance Brokers' Assn. He is vice-president of Johnson & Higgins, New York City.

Mr. Denker said a special cause for his association's concern with union welfare funds is the fact that those responsible, wittingly or unwittingly, for the abuses, in seeking to offer plausible explanations for them or to justify or excuse them, have "sought to bring into disrepute the system of private insurance, and of the part played in it by insurance brokers."

Whatever abuses have been related to the insurance purchased as a function of a welfare fund have been made possible by the same two faults which have brought about abuses in other respects, he said. He listed them as the "failure of some trustees to discharge, with utmost responsibility, the duties of trusteeship" and the "absence of a written record of all details of the acts of trusteeship, made subject to public scrutiny by the state insurance department and rendered to others vitally interested—namely, employees who are beneficiaries of the trust and employers who contribute to its creation and continuance."

The association suggests three "fundamental" measures that would correct these faults. The first is legisla-

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tion requiring welfare fund trustees to make detailed periodic reports audited by certified public accountants to the state insurance department and to make periodic reports to their members, giving in summary form the information as to receipts, disbursements, expenses and assets on hand.

The second suggestion is legislation forbidding any individual to serve as a welfare fund trustee unless he has been certified by the insurance department, with no certification to be given until the applicant has filed written

answers to questions which will reasonably establish his detailed knowledge of the responsibilities and liabilities of a trustee.

The third is legislation authorizing the insurance department to audit welfare funds, to revoke the certificate of any or all trustees and to take such further steps as may be necessary to compel restitution to the welfare fund.

"Any tabulation of the abuses which have been related to insurance aspects of the funds would, by their mere

description, suggest how the requirement of complete disclosure, and of qualification of trustees completely aware of their responsibilities and accountable for their diligent discharge, would tend to eliminate these abuses," Mr. Denker declared. Many abuses have been possible principally because trustees have been actively or passively false to their trust.

"Our recommendations are, of course, not without self-interest. In the furnishing and servicing of insurance as part of welfare fund benefits,

the compensation for professional advisers should be earned. It cannot be earned by persons incapable of furnishing and rendering service. If trustees are and must be careful in their selection of persons to furnish and service insurance, then a most faithful discharge of the responsibilities of trusteeship need in no way disturb the normal marketing method in which insurance is furnished through brokers and agents."

He classified the broker's services as those relating to formulation of the plan, selection of the carrier and installation and administration of the plan. He described them in some detail. Any welfare fund needs the service of the competent broker. Portions of the insurance business which hold to the best practices have established standards of compensation for these services which belie any charges of impropriety. No abuses have been caused through employment of persons or companies who hold to these standards. The faults have stemmed from the failure of those responsible for trusteeship to insist on getting services of high quality which have always been available at the low cost represented by these standards of fair remuneration, Mr. Denker said. The bulk of welfare fund insurance installed over the years is operating in a wholly commendable manner, he added.

Mr. House wanted to know why a full commission should be paid a broker who does not perform a consulting service. Mr. Denker said it must be paid to protect the agency system.

Mr. House asked his opinion on a separate fee for rendering consultation service. Mr. Denker felt many plans might try to save a small amount of money by doing without the consultation advice.

Mr. Denker said he had no objection to disclosure to the fund and to the insurance department of the amount of commissions and who receive them.

Mortimer Nathanson, Brooklyn, chairman of the legislative committee of Greater New York Insurance Brokers' Assn., submitted a proposed bill which the organization believes "will go a long way toward eliminating the abuses we are discussing."

The bill would prohibit any officer, agent, employee or member of any union, or any employer whose members or employees are covered by a welfare or pension plan, from having any direct or indirect financial interest in any insurance agency or brokerage firm writing any insurance policy for such welfare or pension plan. They also would be prevented from exercising control over the ultimate use of any commissions or fees received from or by any insurance company, broker or agent in connection with the plan.

The proposed bill is in the nature of a conflict of interest statute, Mr. Nathanson said. It differs slightly from the original recommendation to the insurance superintendent. The change was made at the request of Matthew Woll, president of Union Labor Life.

Mr. Nathanson said the association, changing its mind, had decided not to ask inclusion of insurance companies in the proposal. He noted that Gov. Harriman, in vetoing the legislation last year, said, "there is no prohibition in the bill against a union officer having an interest in an insurance agency, brokerage firm or insurer, or against sharing commissions."

Mr. Nathanson admitted a "substan-



No one knows better than we do that "know-how" comes from doing things . . . from learning a little more from each job done . . . from being willing to look into new opportunities for additional service.

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Following are excerpts from the statement made by Peter Seitz, chairman of the special committee on welfare and pension fund legislation of the Commerce & Industry Assn. of New York:

“In view of the importance which the brokerage commission has had on the development of group insurance in

this country, we do not feel prepared to counsel dealing with the abuses in labor-management welfare funds by the simple expedient of eliminating commissions. The problem is too complex for such a simple answer.

“We do believe, however, that the promulgation of a non-statutory code by the department, after consultation with the insurance industry and employers and unions, which might incorporate a uniform decremental scale of commissions and standards regarding the payment of fees, would have the virtue of guiding trustees in the execution of their duties and enabling them to avoid the excessive payments that are the subject of proper criticism.

“A second measure we believe desirable is some form of statutory prohibition on fund trustees and union or employer representatives profiting personally from the operation of a welfare or pension program with which they are associated. We want to emphasize, however, that while it would be a salutary thing for such a prohibition to be written into state law, the legislation needs to be drafted with extreme care. On the one hand, the provisions must not be so loosely drawn that they are open to ready circumvention by the unscrupulous few. On the other hand, they should not be so broad or inflexible as to interfere with legitimate practices whereunder compensation is paid for actual services performed.

• • •

“The third other state measure we propose is an amendment to section 380 of the state penal law respecting bribery of labor representatives. The Cilento case, decided in New York county court of general sessions in May of this year, has called attention to a serious shortcoming in the present provisions. In that case it was held that section 380 does not reach bribe-taking by union officials serving as welfare fund trustees where the object is to influence their actions as trustees rather than as union officials.

“We propose that the penal law be amended to make employer and union trustees, as well as pension and welfare trust fund administrators and employees, subject to the same prohibitions on bribe-giving and bribe-taking now applicable to union representatives.”

Harold Faggen, New York City, consultant to employee welfare and pension trust funds, dealt only with one aspect of employee welfare and pension trust funds—their legal right to self-insure.

“In my opinion, the resolution of all questions concerning the legal status of self-insured trust funds is of paramount importance to hundreds of thousands of workers and their families,” he said. “If nothing else is achieved as a result of the inquiries which have been going on for two years, it should be established beyond question that self-insured trust funds are an accomplished fact which must be recognized in the law.”

Despite the fact that there is no provision of the insurance law which expressly provides for self-insured employee trust funds, hundreds of such funds have been operating for a number of years, not only with the acquiescence of the insurance department, but with the active cooperation of other New York state agencies, Mr. Faggen said.

A brief statement was read into the record by Martin E. Segal, partner in Martin E. Segal & Co., New York City consultants on welfare and pension

funds. He contended that drastic legislation is unnecessary in the light of the fact that the vast majority of pension and welfare programs have been handled with the highest integrity on the part of the management and union trustees involved.

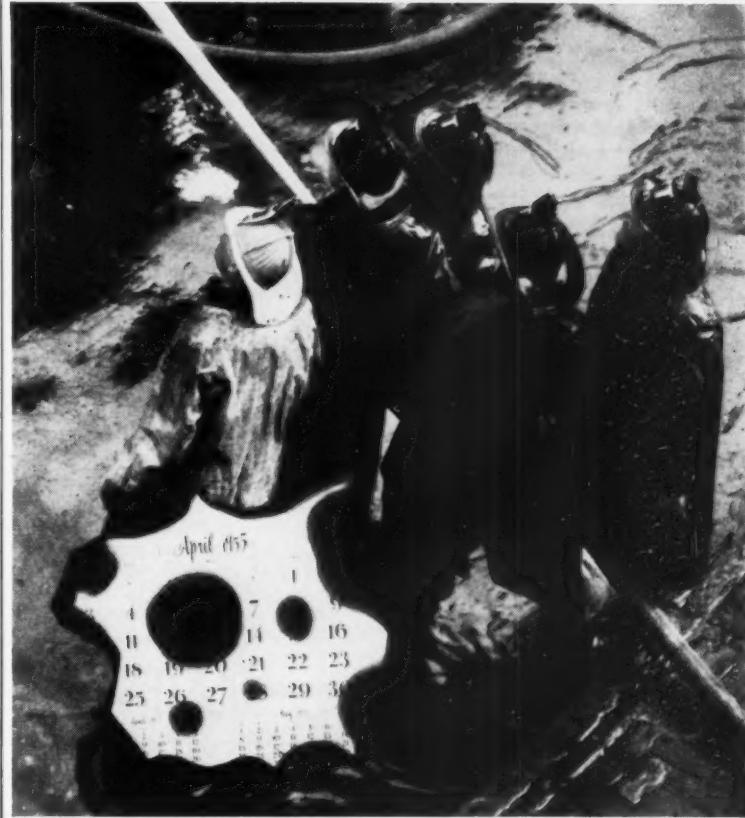
The requirement for an annual and detailed report from the trustees of pension and welfare funds to the covered employees and employers would be most helpful, he said. The report could include an accounting of all pertinent financial aspects of the fund

and could list its achievements to give employers and employees a sense of satisfaction in what has been accomplished.

The position of the life companies was presented by a group of executives led by Gilbert W. Fitzhugh, 2nd vice-president of Metropolitan Life and chairman of the American Life Convention-Life Insurance Assn. of America joint committee on union welfare funds.

With Mr. Fitzhugh were Lawrence

(CONTINUED ON PAGE 28)



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EDITORIAL COMMENT

Local Agents Have Common Interest

It is not without significance that within recent weeks the vice-president of one of the large, old American stock companies, doing business exclusively on the agency basis, was the featured speaker at an agency convention of a mutual fire and casualty company in the midwest. Many other officials of agency writing companies knew of this, but it is interesting that none of them has commented unfavorably upon it. In other words the point has been reached where it is no longer regarded as unorthodox or inappropriate for such a company executive to speak at a gathering of mutual agents.

After all, he did no more than discuss the problems that are plaguing the regular commission agents, whether they represent mutual or stock insurers. The common competitor of the standard, representative local agent is

the direct writing company, the mail order company, the company committed to the permanent policy of rate discounting. The era of animus between stock and mutual agents is greatly diminished. It has become of almost no importance in the area where it still lingers as compared to the formidable threat that is offered by the insurance companies offering their wares in department stores, through the mail, and etc.

We have no doubt but that stock companies and the mutuals will continue to differ in opinion over methods of operation, but it is becoming clearer all the time that the mutual and the stock company agents have much more in common and much more need to pool their forces than anyone would have ventured to predict a quarter of a century ago.

of the Nevada department. He was elevated to chief deputy commissioner in 1955. He took over his new duties as Alaskan territorial insurance commissioner at Juneau Nov. 16.

Commissioner Paul J. Ragan of Wisconsin and Mrs. Ragan are the parents of a daughter, their third, born at their home in Ladysmith, Wis. The Ragens will move to Madison shortly.

PERSONALS

Hal V. Kennedy, director of public relations of R. B. Jones & Co. and vice-president of Kansas City F. & M., has been elected president of Kansas City Public Relations Society.

Joseph P. Gibson Jr., president of American Mutual Re, got in a few days of deer hunting in Otsego county, N.Y., before attending the commissioners meeting in New York.

Otto Hakkinen, local agent of Gardner, Mass., suffered a fractured back in a fall which occurred when he slipped from a ladder while helping a neighbor make a home repair.

Ross P. Duncan, the new Alaska insurance commissioner, attended the University of Nevada, and started his business career in the cleaning and dyeing field in 1938. He was in the army for 5½ years beginning in 1940, and on his return was made deputy sheriff in Reno. In 1947 he joined the state police as a sergeant in charge of the northern Nevada field, and later that year went into the insurance business as an adjuster. He was made a deputy U. S. marshal in 1949, and in 1951 he became deputy commissioner



Ross P. Duncan

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DEATHS

FRED C. SAAS, 53, vice-president of Buckeye Union Casualty, died following a year's illness at Columbus. He entered insurance in 1923 with Travelers. His son, Fred C. Jr. is also with Buckeye Union.

MAURICE W. JOHNSTON, 78, vice-president of Picton-Cavanaugh general agency at Toledo, died. He had been in the casualty business 46 years.

HAROLD A. THIEMANN, 45, engineering technical supervisor of Hartford Accident, died suddenly in Pittsburgh while attending meetings of Industrial Hygiene Foundation of America and American Standards Assn.

He joined Hartford Accident in 1938 as an engineer at St. Louis. In 1942 he transferred to Paducah as engineer at the Kentucky ordinance works where he remained throughout World War II. In 1946 he became engineer at Detroit, and in 1948 he transferred to the home office engineering department. He

represented Hartford Accident on the special hazards subcommittee of Assn. of Casualty & Surety Companies and he represented the association on the flammable liquids committee of National Fire Protection Assn.

HENRY G. STILZ, 76, retired drillmaster for the old Kentucky Actuarial Bureau, died at his home in Middletown. He joined the actuarial bureau in 1921 and traveled the state training fire department personnel in cities having no regular training program. A son, William A. Stilz, is a local agent in Kentucky.

ISAAC A. NUNN, 59, local agent at Halls, Tenn., since 1948, was killed when his auto crashed into a bridge abutment while returning from a hunting trip at Reelfoot Lake.

KARL H. JEPPESEN, 86, local agent at Chester, Mont., died.

HOWARD T. CASE, 66, retired executive special agent of Boston and Old Colony, died at a Newton, Mass., hospital. He entered insurance with the former Underwriters Bureau of New England, went with Boston in 1920 in the improved risks department, was special agent in western Pennsylvania and West Virginia and then in New England. He retired in 1943.

LAURENCE S. KENNEDY, 64, chairman of the board and chief executive officer of Marsh & McLennan, insurance brokers, died at Northern Westchester hospital, Mt. Kisco, N.Y.

He joined Marsh & McLennan in 1910 at Minneapolis.

After military service in World War I he transferred to the New York City office of Marsh & McLennan, and became a vice-president when the firm incorporated in 1926. He was elected a director in 1935 and in 1937 became the executive head of the New York office. In 1944 he was elected president and in 1955 chairman. He also was manager of the insurance bureau of U.S. Steel from 1937 until his death. During his career Mr. Kennedy was considered one of the outstanding insurance executives in this country.

He was also chairman and director of Transatlantic Reinsurance of New York, a member of the American committee of Lloyd's register of shipping, and a director of Insurance Society of New York.

J. PARK WILLIAMS, 49, Brownsburg, Pa., local agent and a former assistant high school principal there, died unexpectedly while making a business call there.

LOUIS W. BIXBY, 79, who was district manager at Saginaw, Mich., for Massachusetts Bonding for 20 years until his retirement in 1948, died.

CHARLES R. TAPLEY, 85, local agent of Boston and Danvers, died at Beverly, Mass. Boston offices of the agency are in the home office building of Boston and Old Colony. Mr. Tapley had continued active in the business until he was stricken with a heart attack.

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NEW YORK 38, N.Y.—99 John Street, Room 1103. Tel. Beckman 3-3958. Ralph E. Richman, Vice-Pres., J. T. Curtin, Resident Manager.

tack earlier this month. A son, Charles S. Tapley, is a member of the agency.

SHEPHERD F. SMITH, 42, an underwriter with Chubb & Son at Atlanta, died there. He had been with the group since 1938 and at Atlanta since 1948.

FRANCIS J. WALLACE, 46, local agent at Tacoma for 15 years, died.

MRS. HARRIET W. TOOLEY, 78, who has been operating a local agency at Harlowton, Mont. since 1918, died in a Great Falls hospital after a short illness. At one time she was secretary to former Montana commissioner Harry Cunningham.

J. H. PIERCE, senior special agent of Factory Insurance Association in Connecticut and with the FIA 43 years, died in Hartford. In addition to his regular work for many years he had trained new field men for the association.

JAMES J. SWEENEY, 58, deputy commissioner of Washington and supervisor of the claims department division, died in a Seattle hospital after a short illness. He had been with the department since 1932.

E. PORTER AYRES, 74, local agent at Huntington, Ind., died of a coronary occlusion.

H. JOSEPH NOBLE, 64, assistant U.S. manager of Norwich Union at Philadelphia, died there. He was formerly with North America at Philadelphia and Buffalo and with National Liberty at Baltimore. He was a graduate of Wharton school.

ROBERT E. WOODWARD, 26, died after a long illness which forced his retirement several months ago from New England Fire Insurance Rating Assn., where he was an inspector. His father is Clarence R. Woodward of the improved risk department of the rating association.

JOHN L. CORLISS, 64, assistant vice-president and head of the public utility department of Marsh & McLennan at Chicago, died at Wesley Memorial hospital after a two-week confinement following a heart attack. Mr. Corliss joined the insurance brokerage firm in 1918 in the engineering department. He headed the public utility department for many years and was named an assistant vice-president in 1950. Prior to joining Marsh & McLennan, he was a mathematics teacher at Lewis Institute, now Illinois Institute of Technology, and was with Chicago Board of Underwriters for four years.

THOMAS J. QUINLAN, 68, for 50 years in agency relations and field work with Employers group before his retirement, died in Brighton, Mass.

He joined Employers in 1904 when the company occupied less than half of a 3-story building in Boston. He had a great deal to do with establishing original agency connections for the group in the south and southwest during his early years.

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A&H Code Main Point of Interest at NAIC Meet

(CONTINUED FROM PAGE 1) to implement the intention accurately.

The casualty people are not trying to duck having to comply with the code in their non-A&H coverages but point out that the code was never intended to apply to such coverages as auto medical payments, for example, and the code's application would involve needless complications that would not accomplish anything in particular. One difficulty would be that if it became necessary for advertising to list the exclusions in the medical payments coverage, it would be logical to require the listing of the exclusions in the basic coverage, which are much more numerous than those applying to medical payments. The same would apply to the other casualty coverages having a minor element of personal insurance.

The threat of federal poaching on the preserves of state insurance regulation was a principal point in the presidential address of Leggett of Missouri. Certain federal boards, bureaus and agencies have been making overtures toward taking over insurance regulation within the framework of existing laws, he declared—notably FTC, interstate commerce commission, securities exchange commission and the Defense Department. The commissioners, he said, have been active in opposing such encroachment.

The other threat to continued exclusive state regulation of insurance is possible federal legislation to regulate in part or entirely the insurance business, he said, and called attention to the federal health reinsurance plan, which undoubtedly will be again submitted to Congress.

State regulation depends on its extent and character, he declared. Where it is not effective, there is apt to be congressional investigation and possibly federal legislation. Preservation of state regulation depends on the enactment by state legislatures of adequate laws completely to occupy insurance regulation, he said. Beyond that the laws must be administered efficiently and impartially by insurance commissioners.

He urged individual commissioners to survey the quality of examiners and degree of cooperation given the examination manual. He recommended also that commissioners cooperate in calling examinations when asked to do so and when the need is obvious.

Mr. Leggett said he noted a trend in NAIC toward over-specialization. At this meeting there were 26 subcommittees scheduled to meet. Some were appointed to consider a limited aspect of a general problem. Membership overlaps. Several units considered almost identical subjects in A&H.

He recommended assignment of newly emerging problems to existing subcommittees wherever possible, and that committee chairmen analyze problems assigned to subcommittees to achieve maximum streamlining.

The subject of allowing credit for alien reinsurance, particularly as it concerns London Lloyds, cropped up again at the first executive committee meeting. Roger Kenney, insurance editor of *U.S. Investor*, said he thought the NAIC report had not been repealed in which Lloyds was given till a certain date to get admitted or its reinsurance in this country was to be recognized only to the extent the funds are withheld. Navarre of Michigan said

the report at Detroit referred the Lloyds matter back to individual states for action consonant with state laws.

But, Mr. Kenney persisted, did this minority-majority report at Detroit eliminate the previous report? Nothing has been done, he said, with the report recommending Jan. 1, 1955, as the date on which all alien reinsurance, Lloyds not excluded, was to be recognized only to the extent funds are withheld. Navarre said the commissioners probably should review the proceedings and check this point.

John A. Diemand Jr. of North America said the Detroit report simply remanded the entire matter to the various states, which leaves it where it was in San Francisco. But, he said, perhaps commissioners should consider where they stand on the issue since the press has reported that because Lloyds reserves are depleted the brokers have asked for tax concessions. If a U.S. insurer were in that plight, the commissioners would watch it like hawks.

Fliers of Mr. Kenney's recent article on alien reinsurance and Lloyds were distributed at the convention.

The Passe Club had what was described by veteran attenders as its best luncheon. This may have been brought about by the fact that November elections added 12 new members. M. J. Harrison, Little Rock attorney and ex-commissioner of Arkansas, the president for several terms, handled the affair with humor and dispatch. Howard Brace of Occidental Life, the secretary-treasurer, made another good report and presented the names of members who died during the year. Ray B. Lucas of Kansas City Life, ex-superintendent of Missouri, presented a gavel to Leggett of that state, a recognition the NAIC presidents customarily receive.

More than 600 registered for the convention, a big crowd, and the midwinter attraction of New York resulted in quite a number of wives being on

hand. Agents were well represented, as has become customary in recent years. Several state association executive secretaries attended—Theodore Gray of Ohio; William N. Day of Georgia; Charles J. Unger of New Jersey, and Harry McClain of Indiana.

Ellery Allyn, former commissioner of Connecticut, past NAIC president, and now a consultant at Hartford, had been retained to study the suggestion of consolidating the valuation of securities office at New York with the NAIC office in Chicago. He listed a number of reasons why the idea is not a good one.

The subcommittee on examination methods, practices and laws, headed by Hooker of Connecticut, has been working on model legislation governing examinations. The draft of the bill was discussed here with representatives of the business and the Hooker group will use the suggestions of those representatives to produce a revised draft for the meeting next June.

At the executive session of the subcommittee on workmen's compensation small policy economies it was voted to continue the group and to refer the subject of cancellation of the three year fixed rate policies and other technical aspects of the national council filing to the subcommittee of technicians for review and recommendations.

The constitution and by-laws subcommittee approved an amendment authorizing an assistant secretary-treasurer.

St. Louis Brokers to Meet

Clifford C. Thomas, executive vice-president of Johnson & Higgins of New York, will be speaker at the annual meeting of Insurance Brokers Assn. of St. Louis Dec. 5.

New officers will be installed at the meeting, and they are: President, Thomas Baker; 1st vice-president, Clinton Karst; 2nd vice-president, Robert Dett; treasurer, Emmet Brooker, executive secretary, Clyde H. Scott.

STOCKS

By H. W. Cornelius Bacon, Whipple & Co. 135 S. LaSalle St., Chicago, Nov. 29, 1955	Bid	Asked
Aetna Casualty	155	158
Aetna Fire	70	71 1/2
Aetna Life	216	221
Agricultural	35 1/4	36 1/4
American Equitable	38 3/4	39 1/2
American Auto	26	27
American (N.J.)	32	33
American Motorists	15 1/4	16 1/4
American Surety	98	100
Boston	39 1/2	41
Camden Fire	26	27
Continental Casualty	112	114
Crum & Forster com.	68	70
Federal	36	37 1/4
Fire Association	56	58
Fireman's Fund	67 1/2	68 1/2
Firemen's (N.J.)	40 1/4	41 1/4
General Reinsurance	48 1/2	49 1/2
Glen Falls	69	71
Globe & Republic	22 1/2	23 1/2
Great American Fire	39 1/4	40 1/4
Hartford Fire	167	170
Hanover Fire	46	47
Home (N.Y.)	49 3/4	50 1/4
Ins. Co. of No. America	111	113
Maryland Casualty	37	38
Mass. Bonding	44	46
National Casualty	52	Bid
National Fire	133	136
New Amsterdam Cas.	44 1/2	45 1/2
New Hampshire	53	56
North River	44 1/2	46 1/2
Ohio Casualty	39 1/2	41
Phoenix Conn.	93	Bid
Prov. Wash.	84	86
St. Paul F. & M.	29	31
Security, Conn.	56 1/2	58
Springfield F. & M.	48 1/2	51
Standard Accident	63 1/2	65
Travelers	57	59
U.S.F.&G.	87	88
U.S. Fire	67	68 1/2

Indiana CPCU Chapter Elects G. E. Richardson

INDIANAPOLIS—Gayle E. Richardson, manager for General of Seattle, was elected president of the Indiana chapter of CPCU for 1956 at a dinner meeting at the Indianapolis Athletic Club. John D. Phelan, vice-president of American States, is the new vice-president, and Mark Gray, of the law firm Armstrong Gause Hudson & Kightlinger, is the new secretary. Donald H. Ellis of Hadley-Mahoney is the outgoing president. A handwriting expert from the Indianapolis police department spoke at the meeting.

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Allied Van Lines Plan Group Cover

Agents are following with keen interest the plan of Allied Van Lines to buy countrywide bodily injury and property damage coverage on cargo-carrying vehicles registered and in Allied Van Lines' service beginning Jan. 1. Under the program, Allied would assume its own risks up to \$15,000 for single or combined limit, but would insure from that amount to \$1 million in an excess coverage in Transport of Dallas, Transport Indemnity of California and London Lloyds. Transport of Dallas would handle the settlement of all claims on a fee basis, including investigation and defense. Transport, organized in 1950, is owned by members of the motor truck and bus industry and confines its operations to that field.

The insurance would cover most interstate and intrastate operations of vans in Allied service, including the performance of line haul, authorized pick-up or delivery on storage-in-transit shipments. However, the insurance program would not cover any vehicle of an Allied agent when his equipment is not in Allied service. The local hauler would insure this risk in the regular way, through local broker or agent, or, if he desired, he could insure it through Transport.

All local haulers who are members of Allied Van Lines must participate in the Allied program for Allied service. The cost would be 2% of the hauling compensation to be credited on his Allied statement for hauling services performed on behalf of Allied.

Allied previously had adopted a plan proposed by Zurich and written through

the Detroit Insurance Agency, but this plan was abandoned.

Allied apparently feels that the classification of its operation of the carrying of household goods in the same category as long haul, general commodity and other carriers produces higher premiums than should be borne by Allied carriers. The Allied agents think their experience is better than the other types of operations whose experience is pooled with theirs in making rates.

Allied has recommended that each carrier avoid duplication of cost by instructing the insurer presently writing BI and PDL to rewrite the present policy to apply only to local and interstate operations and omit all coverage on vans while in Allied service. Allied also has asked the carriers to put their premium payments for individual policies on a revenue reporting basis. If the present insurer refuses to revise the present policy to this basis, or if a proper rate consideration is not allowed for elimination of the Allied part of the risk, Allied points out that Transport of Dallas will write the coverage on this basis for the carrier.

Apparently there is no agent or broker involved in the program.

Tentative Standards Set for Mich. Driver Training

Tentative standards for an accelerated and state-subsidized driver training program in Michigan schools were set up at a meeting of educators at Lansing. The legislature enacted new laws to assist the program at a recent special session. Under provisions of one

measure, no first-time applicant for a driver's or chauffeur's license under age 18 will be granted a license unless the applicant can certify to satisfactory completion of a driver training course.

Clair L. Taylor, superintendent of public instruction, said that, with agreement on the public school standards, a committee would be set up to frame similar codes for private training schools. He said at least a pilot program would be underway in 90% of the local school districts by the second semester of the current school year. He said some 25,000 students already are receiving training but some 12,000 get classroom instruction only under programs pioneered, in many cases, by local insurance groups' persistent campaigns.

The new standards provide for a minimum of 30 hours classroom instruction and an average of six hours behind the wheel with instructors. Some cities already have off-the-street training "ranges" but most use the city streets or neighboring highways for instructional driving. Some exceptions to the usual training requirements may be permitted by the school superintendents in the case of cities with special training facilities, he said.

Capital Life Case to Circuit Court

Charges of conspiracy against former South Carolina Insurance Commissioner D. D. Murphy and Bradley Layton, former vice-president of Guaranty F.&M. of Columbia, S. C., which is in receivership, and others have been referred to the circuit court in South Carolina for grand jury action. The action was taken by Judge Lumpkin after a preliminary hearing.

Mr. Murphy and Mr. Layton are charged, along with G. R. P. Farquhar, president of Guaranty F.&M., with having brought pressure to force the sale of Capital Life of Columbia to United of Chicago. Mr. Farquhar was not involved in the preliminary hearing.

Cleveland All-Industry Lunch Set for Dec. 6

Eleven CPCU designations will be conferred at the all-industry luncheon Dec. 6 at Cleveland.

The speaker during the meeting will be Robert M. Morrison, Boston insurance attorney, whose subject will be "Insurance in this Atomic Age." Mr. Morrison was a prominent speaker at the National CPCU convention in San Francisco.

Agricultural Gains, Declares Extra

Agricultural and Empire State had a consolidated underwriting profit of \$303,939 for the first nine months made by the Agricultural and its wholly owned subsidiary, the Empire State Insurance Company. Net profit from all operations, after taxes, amounted to \$1,059,647.

Premiums for the year to Sept. 30 increased 9.2%, or \$1,263,340. Fire premiums increased \$1,108,040 or 12.8% in that period.

In addition to a regular quarterly dividend of 40 cents a special dividend of 10 cents per share has been declared, both payable Jan. 3 to holders of Dec. 15.

William R. Adams of New York, vice-president of St. Regis Paper Co., was elected a director of both companies to succeed the late Harvey R. Waite.

Buffalo Casualty Man and State Agent Named

Buffalo has appointed Ivor D. Nicholls assistant casualty manager at the home office. He will assist Vice-President J. C. Hasselbrack in the development and supervision of the casualty business which the company has recently entered.

Prior to going with Buffalo, Mr. Nicholls was for 20 years with American Surety in all phases of branch office and home office underwriting, and recently has been home office supervising underwriter. He is a CPCU.

Charles K. Allen has been named state agent in Indiana and Michigan. He has been special agent in the same territory the last 18 years. He will continue to serve agents for both fire and casualty and State Agent H. Dale Poffenbarger will associate with him in developing additional casualty and fire agents.

Brown New Colorado Deputy Commissioner

Robert L. Brown has been named deputy commissioner of Colorado. He joined the department as a junior examiner in 1947, and most recently has been senior examiner. Before 1947 he was auditor for Federal Crop Insurance Corp.

Insurance Women of Amarillo will sponsor a study course for the solicitor's license beginning in January.



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Chicago CPCUs See Increase in Cargo Insurance

The increase in foreign, lake and intercoastal shipping as a result of the development of the St. Lawrence seaway and what it means to Chicago insurers who will handle overseas cargo insurance was the subject of a panel moderated by W. H. Rodda, secretary of Transportation Insurance Rating Bureau.

"More than 4 million tons of cargo now pass through the port of Chicago," Mr. Rodda said. "Of this, some 1½ million tons are export or import cargoes. The increase in this type of shipping as a result of the seaway project demands that insurance men become more familiar with ocean cargo insurance."

C. T. Burney, supervisor of Transportation Rating Bureau, said that Chicago's 10 year program of port development will result in an additional 15,000 acres of manufacturing plants, 900,000 new jobs and a 2 million population increase for the area.

He said Chicago will eventually handle 10 million tons of export cargo instead of the 1½ million tons it now handles.

Mr. Burney discussed the present cargo facilities in the port of Chicago and listed the major disadvantages as lack of land area for development by industry and poor accessibility to the port's inland waterway system. He said the port development must be concentrated along the lake front in the Calumet lake area, where \$25 million will be spent for terminal and dockage facilities as a part of a 10-year, \$125 million program.

"The Chicago port will offer importers and exporters substantial savings and lower marine rates through the elimination of transhipment," he said. "The increased overseas commerce will mean that Chicago insurance men will have to have the facts and figures on ocean cargo insurance."

William T. McElveen, vice-president of Wineman Bros. agency, discussed some of the technical terms peculiar to foreign trade. He said the essential differences in domestic and foreign trade are distance, time and currency. He pointed out the responsibilities and obligations of sellers, buyers and carriers and said there is a tendency in foreign trade to reduce the carrier's responsibility.

"If Chicagoans are to compete for ocean cargo insurance business," he said, "they must be familiar with the terms of foreign trade and how their competitors approach the situation."

R. M. Babbitt Jr., vice-president of the Joyce & Co. agency, discussed some of the problems involved in cargo insurance.

In order to understand why cargo insurance should be purchased, he said, the insurer should know that there are many situations for which the carrier is not liable.

"Whether the buyer or seller insures the cargo depends on when title passes and the terms of shipment. Often both parties to the contract want insurance for various reasons," he said. He pointed out that contingency insurance can also be provided to the buyer or seller to provide coverage for losses not covered by the alternate insured.

The customary cargo insurance cov-

ers from warehouse to warehouse, he said, but only while the cargo is being transported. There are also time limits for the period of transit.

Mr. Babbitt said the ocean marine policy is a valued policy in which the insurer agrees to pay a fixed amount, usually the value of the cargo, freight charges and a 10-15% loading.

The terms and conditions vary from total value of cargo to all risk. "The three principal forms of cargo insurance are 1) free of particular average — where the company is not liable for a partial loss; 2) with average conditions — where the company pays for partial losses, and 3) all risk — where the loss must be fortuitous and does not cover damage."

He said there were also special covers such as hook damage, oil damage, damage from other cargo, theft and pilferage, non-delivery without ascertainable cause and many others.

He pointed out that in no case is a claim recoverable without proper packaging and suggested that insurers could provide a service to their customers by advising them in ways of proper packaging.

"Most marine rates are based to a large extent on the experience of the individual shipper," Mr. Babbitt said, "which means that the insurer must know the factors which cause losses."

"Only through a thorough familiarity with the insurance aspects of ocean cargo and a study of the customer's exposure to loss," he said, "can you properly serve clients who participate in foreign trade."

N. Y. Insurance Society Moves

Insurance Society of New York has moved to new administrative offices on the 19th floor of 225 Broadway, New York City. Its permanent new quarters, on the 25th floor of that building, will be ready in the spring. The move was necessary because the entire block in which the society was located was sold to a New York City bank and the new owner plans to raze the present structures preparatory to erecting new buildings. The new quarters will provide larger office space, two large air conditioned classrooms and additional equipment for visual education. The society's library will remain at 107 William street.

**STATE OR
REGIONAL
GENERAL
AGENCY
CONTRACTS
AVAILABLE**

Illinois Follows General Mills Case on Fire Liability

A decision aligning Illinois with the reasoning employed in the famous General Mills fire legal liability subrogation case has been handed down by the state supreme court. The court has held that a provision in a lease under which the tenant would return the premises to the lessor in good condition, "loss by fire and ordinary wear excepted," is held to absolve the tenant from liability even if a fire is caused by his own negligence.

The case is Cerny-Pickas & Co. and Orient Ins. Co. vs C. R. Jahn & Co., and the matters in question closely paralleled the General Mills case, which brought to the forefront the question of subrogation in fire losses.

The Jahn Co. as a tenant was sued by the lessor, Cerny-Pickas Co. and by Orient as the Cerny-Pickas insurer and as subrogee. Cerny-Pickas asked \$125,000 and Orient \$23,617 for loss in a fire said to have been caused by the Jahn Co.'s employees in violation of Chicago ordinances regarding construction of partitions and installation of a gas heater and by other acts of negligence. The Jahn Co. denied the charges of negligence and made the special defense that the lease wholly exempted and exonerated it from any liability to Cerny-Pickas or to anyone subrogating in behalf of Cerny-Pickas for any fire loss, whether or not caused by negligence.

The lease provided that the Jahn Co. would keep the premises in good repair and upon termination of the lease would yield the premises in good condition "loss by fire and ordinary wear excepted." Cerny-Pickas was to pay for fire insurance on the building and equipment leased to the Jahn Co., but the Jahn Co. was to pay for any increase in fire premium caused by a rate increase due to the nature of Jahn's business or the manner of its conduct of business.

Superior court of Cook county, following the General Mills reasoning, ruled that the provisions of the lease completely exonerated the tenant from any liability for loss by fire, even

though caused by the tenant's negligence. The case was appealed and the Illinois appellate court held that the terms of the lease did not, per se, exonerate the tenant, and further that exculpatory clauses relieving persons from the results of their own negligence were contrary to the public policy of Illinois. This, incidentally, is the line of reasoning followed in the dissenting opinion in the General Mills case. The appellate court remanded the case for trial and a jury entered a judgment against the Jahn Co. of \$49,538. This was affirmed by the appellate court.

The case was taken to the supreme court, which on Nov. 23 reversed the appellate court holding, saying the words "loss by fire . . . excepted" include negligent fires. "If the word 'fire' is used without qualification throughout the lease before us," the supreme court said, "its natural meaning would include all fires, regardless of their origin. To express the meaning for which the lessor contends, the lease would have to be altered to modify the word 'fire' by qualifying words 'not due to lessee's negligence'. It is more reasonable to assume, we think, that laymen would regard the word 'fire' as excluding all fires whether of negligence or otherwise."

The Jahn Co. and its liability insurers were represented by Donald N. Clausen and Jacob T. Pincus of the Chicago law firm of Clausen, Hirsh & Miller.

GAB Changes Four at Little Rock, Oklahoma City

General Adjustment Bureau has appointed Carl Edwards and C. D. Clements general adjuster and manager at Oklahoma City, and W. F. Nunnally and John D. Greenway, general adjuster and manager at Little Rock.

Mr. Edwards has been with GAB 29 years, the last 11 as manager at Oklahoma City. Mr. Clements has been with the bureau 14 years and has served as assistant branch manager to Mr. Edwards.

Mr. Nunnally began his adjusting career in Arkansas in 1927. Most recently he was manager at Little Rock. Mr. Greenway has been manager at West Memphis, and is succeeded there by E. A. Burbage. Mr. Burbage was resident adjuster at Blytheville prior to joining the West Memphis staff.

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Mich. Blue Cross Asks Rate Boost; Stirs Union Protest

LANSING, MICH.—A proposal for 23% increase in Blue Cross rates in Michigan has stirred a storm of protest from organized labor.

Walter P. Reuther, CIO president, condemned the proposal from Detroit after William S. McNary, executive vice-president of Michigan Hospital Service (Blue Cross), had announced the request for approval of higher rates had been filed with the Michigan department. Reuther wrote both Gov. Williams and Commissioner Navarre that the Blue Cross organization had "failed to demonstrate the need of so large an increase in rates." He said the request for approval should be disallowed.

Reuther further recommended: That a "complete review" be ordered of the factors tending to cause an "unnecessary inflation of Blue Cross costs" and that the hospital service be required to "call in an outside agency, qualified in the fields of health service and pre-payment, to conduct studies and make recommendations with a view to finding a valid solution to the recurring problem of assuring a high quality prepaid hospital care at reasonable cost."

McNary had explained that the proposed increases would amount to some 55 cents a month for unmarried members of the plan and \$1.72 per month for members with two-member or full family contracts. Present rates are: For single persons, \$2.70 and \$3 per month, for ward bed or semi-private room, respectively; for two-person and family coverage, \$6.90 or \$7.40, according to the type of service. McNary said rising hospital costs make the increase necessary to assure solvency. The new rates would go into effect Feb. 1, if approved.

Reuther noted that CIO members on the Blue Cross board of trustees voted against the increase. The bulk of unionized labor in Michigan now under hospitalization service contracts is provided service under the Blue Cross plan.

Life Producer Gives A&H Sales Tips at Los Angeles

LOS ANGELES—Anne S. Frimkess, a leading producer in 1954 for Manhattan Life, speaking at a meeting of A&H Managers Club of Los Angeles, on "How to Use Life Insurance Techniques for the Sale of A&H" said she uses the same pattern selling A&H as in life insurance. She presents her plan and fits it to the needs of a family.

In selling partnership insurance, she said this type of coverage can be sold with the same technique as in selling life coverages. She remarked that she has learned to keep quiet during certain parts of the interview, and in doing so the prospect often will talk himself into the sale.

The club decided to hold its Christmas party Dec. 15.

Ia. A&H Claim Men Elect

Graydon McDonald, State Auto of Iowa, has been elected President of Iowa A&H Claim Assn. The other officers are Paul Gallagher, National

Travelers, vice-president; J. Dolliver Kent Jr., Western Mutual, secretary, and Thomas Brown Bankers Life, treasurer.

Plan A&H Unit in Indiana

Indiana Assn. of A&H Underwriters will stage a half-day sales congress in Gary Dec. 9 as a kick-off for the formation of a new local association for the Calumet area.

Speakers will be William Highfield, Insurance R & R; John Morris, Hoosier Casualty, Fort Wayne, Indiana association president; William Courtney, managing director of IAAHU, and Robert W. Osler, vice-president Rough Notes Co., state association secretary.

The Calumet association will be the fourth local in Indiana, others being in Indianapolis, Fort Wayne and South Bend.

FIELD

Phoenix, Conn., Makes Changes in Conn., O.

William O. Minter, special agent of Phoenix of Hartford group in Maine, has transferred to New Jersey. He will assist Executive State Agent Roger S. Henry, State Agent Robert S. Kievit, Casualty State Agent Robert L. Runz and Special Agent John F. Bernard with headquarters in Newark.

The company has also established a new field office in Toledo. Sherwood E. Hotchkiss, special agent at Columbus has been placed in charge. He will serve northwestern Ohio. General Agent Thomas O. Dye will continue over-all supervision of the territory.

Appoints Field Men in Tex., Me., N.H., Vt.

Verne S. Joiner Jr., has been appointed state agent of Netherlands and Caledonian American. He formerly was special agent of Gross R. Scruggs & Co., general agency at Dallas. His headquarters will be at Dallas.

The group also named Joseph R. Ochs state agent in Maine, New Hampshire and Vermont. His headquarters will be Portland.

Mountain Field Club Meets Dec. 5 in N. H.

Mountain Insurance Field Club of New Hampshire will meet at the Manchester, N. H., country club Dec. 5. New Hampshire Insurance Women's League is holding a meeting that same evening at the club and all field club members are invited to attend.

Erckert Named in O. Field

Cincinnati has appointed L. H. Erckert as state agent in western Ohio with headquarters in the home office. Mr. Erckert has had 20 years of field and home office experience.

Charles L. Bent, state agent, with headquarters at Kent, handles the eastern Ohio territory for Cincinnati.

Warren Heads Club

Warren L. Wright of Aetna Fire is the new president of Mountain Field Club of New Hampshire and other officers are Frank W. Dreyer of Employers, vice-president; Richards G. Vedeler of Springfield group, treasurer; and Vincent A. Wengers of National Fire, secretary.

Hartford Pond Meets Dec. 12

Hartford pond of Blue Goose will hold a dinner meeting Dec. 12 at City Club of Hartford. Several members will be presented 25-year pins by Floyd Pickett, Home, of the New York City pond.

Fire Association Names

Kurt in Ida-Utah Field

Richard J. Kurtz has been appointed special agent for Fire Association group at Salt Lake City. He will travel the Idaho-Utah fields, which territory he has been servicing for Deans & Homer general agency.

Mr. Kurtz replaces Elden Schow, whose wife was killed recently in an airplane crash. Mr. Schow is going into business requiring less travel.

Hartford Fire Opens

Rochester, N.Y., Office

John E. Buecheler, special agent of Hartford Fire at Buffalo has been transferred to Rochester, N. Y., where he is opening a new field office in the Sibley Tower building.

He formerly assisted Special Agent Rav Brown in the Buffalo area. Mr. Buecheler has been with Hartford Fire since 1949 and in the field since 1952.

Remsen to Boston for Springfield F&M.

Lloyd S. Remsen has joined Springfield F&M. group as special agent at Boston. He began his insurance career as an adjuster and recently he has been special agent of Boston and Old Colony.

Dubuque F&M. Names Pettitt in Pa.

Dubuque F&M. has appointed Robert A. Pettitt special agent in Pennsylvania. His headquarters will be at 226 Locust street, Harrisburg.

Sheehan to Ore. Field

F. G. Sheehan has been named special agent at Pendleton, Ore., by Northwestern Mutual Fire. He has been with the company since 1949, starting as fire examiner. He was transferred to Oregon in 1952 as inland marine underwriter.

Nelson N. B. Special

Robert F. Nelson has been appointed special agent in eastern Wisconsin by North British group. He will be associated with State Agent Vernon G. Lofgren at Milwaukee. Mr. Nelson for two years has been an inspector with Fire Inspection Rating Bureau at Milwaukee.

N. Y. Field Club Dinner Dec. 8

Suburban New York Field Club will hold a dinner-dance Dec. 8 at the South Shore Yacht club, Freeport, N.Y. instead of its annual stag dinner.

WC Rate Change Approved in R. I.

Commissioner Bison of Rhode Island has approved new workmen's compensation insurance rates in the state, effective Dec. 1.

The new rates represent no change in the over-all average manual rate level, however. Changes by industry groups average 20.7% reduction for the contracting group, 4.9% increase for the manufacturing group and 10.8% increase for all other classifications.

Curran Chicago V-P of Atwell, Vogel & Sterling

T. J. Curran has been appointed resident vice-president in Chicago for Atwell, Vogel & Sterling, Inc. He started with the firm in Chicago in 1941 and after a few months was transferred to Detroit where he was stationed for 13 years, since 1948 as manager. He returned to Chicago as branch manager in 1954.

Qualmann Raises Questions on Multiple Line Developments

At the recent midyear meeting of the Pacific Board, John C. Qualmann, Pacific coast vice-president of Royal Liverpool group and president of the board, discussed multiple line developments at some length, commenting on how the competitive market is compelling companies to hasten their activities to take full advantage of their underwriting powers. Mr. Qualmann said in part:

"How can we explain and justify the fact that the reasonable judgment of a seasoned underwriter in a given type of insurance is impractical in today's market? And, often in the same office—but across the aisle—another underwriter will offer a ready market for risks which the 'antiquated', but still sound, thinking of the seasoned underwriter would refuse? Is the experience of yesteryear to be disregarded and become no longer valid? I cannot believe that such is the case without the risk of being exposed to the danger of re-buying the experience we already have at an unduly high price."

"It is true that some change in underwriting technique can be explained by the new merchandising concepts, but again I submit that in the development of these new multiple line contracts we have moved pretty fast to create an enduring product. We are using the multiple line law as our legal authority—but often—are we not using multiple line knowledge which is unsound, with theoretical assumptions substituted which could establish a long-lasting policy of undesirable consequences?"

"I do not make these remarks for the purpose of being labeled a reactionary, and assure you nothing personal to any individual is implied or intended. Rather, it is only my desire to point out what seem to be inescapable facts. To illustrate what I have in mind I will ask a few questions which refer to current practices in the block field, and there are many more which could be asked with equal force."

"Is it sound to circumvent the co-insurance principle?"

"Is it sound to apply term rule credits, yet avoid the term rule concept?"

"Is it sound to foster lump sum reporting of several high valued locations where high catastrophe exposures exist?"

"Is it sound to foster token deposit premiums?"

"Is it sound to foster monthly premium payment plans without adequate compensation for increased company expenses?"

After speaking of the work of the board's committees Mr. Qualmann said:

"We all know that individual company block programs are much easier to promulgate and execute than is a practical, flexible and marketable industry form and rate. Recognizing the over-all impact to our business of any recommendation they might make, your committees seriously bore the weight of their responsibility. As you know, the men on the committees were carefully selected for their multiple line knowledge and they took full advantage of that background by exploring every item and channel that became apparent to them."

Allstate opened its 147th district service office Nov. 15 in Reno, Nev. G. Arthur Storrs is office manager.

Butte County, Cal., Agents Plan TV PR Program

A broad and ambitious public relations program has been devised by the Butte County (Cal.) Assn. of Insurance Agents which will include a half-hour television show entitled "Pacific Coast Conference Highlights" on station KHSL, Chico. The program will include commercials featuring the independent local agent.

The plan has been previewed by leaders in the insurance industry, including R. C. Stange, Pacific coast manager of the National Board; Myles Smith, Assn. of Casualty & Surety Companies, and W. F. Williams, California Assn. of Insurance Agents, all of whom spoke pledging cooperation with the program.

At a meeting of the group where the show was presented, ways and means of following up the 13-week TV program were discussed so its effect would not be lost.

Members of the county association told the visitors of their hope that the growing number of efforts by both agents and companies might be united into a public relations advertising program "worthy of the vast insurance industry."

Propose Ceiling on Pay to Lender for Credit Cover

(CONTINUED FROM PAGE 4)

to believe that no commissions or emoluments of any kind should be paid lending institutions. The agency system, he thinks, is perfectly capable of taking care of the life insurance business in America.

Mr. Shield said the proposal was drawn after much deliberation. One objective was to suggest something that would be supported by insurers and lenders. It was felt impractical to cut off all compensation to the lender.

Paul Boyer, Chicago attorney representing Household Finance Corp., said he was glad to hear Mr. Pike admit that there are abuses in credit insurance, and that there is a lack of competition that needs to be corrected. Mr. Boyer said he remembered the time when the attitude of the business was that only a few pennies were involved, and that if there were a few things wrong, they could be swept under the rug.

The ALC-LIA proposal is, he declared, an aspirin when what the patient needs is 100,000 cc's of penicillin.

An HFC study shows that it costs 2.9 cents per \$100 of loan to furnish credit life to borrowers and it costs 4.7 cents per \$100 of loan outstanding to maintain it for a year. He said he couldn't see any excuse for the 40 cent figure.

Jr. Francis Ireton of Commercial Credit Corp. said he would like the details of the HFC study because a few years ago his firm made a cost study in Pennsylvania and found the cost to the creditor was 19 cents plus per \$100 of loan.

Arthur Cade, executive vice-president of Old Republic Credit Life, who spoke for Consumer Credit Insurance Assn., said that some reasonable compensation to the lender seems indicated though it is essential to cut out the abuses of overcompensating the lender.

He said that if the model bill is adopted, it is essential for the public to know what it is paying for insur-

ance. There should be full disclosure of the cost of all component parts—interest, insurance, repayment of principal, etc. If the lender can get only 40%, his interest becomes that of the borrower. He would not be interested in seeing the insurer make a big profit, so he would seek rate decreases.

He warned that unless commissioners and the business work out a solution satisfactory to all, lenders might shift to some other means of supplying the market for loan coverage. The greatest area of abuse is in the additional charge the lender makes beyond the premiums, and disclosure would stop excessive charges at this point.

A&H Code Draws Fire but Expect NAIC Adoption

(CONTINUED FROM PAGE 8)

tendency to mislead or deceive as to the true identity of the insurer.

In an attempt to emphasize that the FTC was still cooperating with NAIC in spite of the 10 citations against insurers last week, Chairman Gwynne of FTC wrote Commissioner Pansing of Nebraska: "The issue of these additional citations on the eve of your meeting might indicate we are no longer cooperating with you in our joint problem. I hope you may find occasion to point out that such is not the case. You and your organization have been very cooperative at all times and it is a pleasure to work with you."

Moses G. Hubbard, counsel of Commercial Travelers, suggested to the Pansing committee that the code not be adopted unless an emergency seems obvious. He said he can see no emergency since insurance is the most regularly supervised of any business in the U.S. today. The Martin committee (the subcommittee of A&H headed by Commissioner Martin of Louisiana) found, he said, that the subject of insurance advertising in the complaints filed throughout the U.S. has been conspicuous by their absence. If the commissioners in the states in which companies are issuing improper advertising would use a little more iron in their regulations, the code would be unnecessary, he declared.

By adopting the code, the insurance business is placating FTC, Mr. Hubbard said. He accused FTC of blackmailing insurance into adopting such a code or into having a trade practices conference by threatening to cite more companies on charges of false and misleading advertising if they did not.

The U.S. Supreme Court has to tell him whether his company's advertising is misleading, he said. His company is going to find out whether the FTC has the proper jurisdiction and he believes the court will hold that the individual commissioners are in charge of regulating advertising of insurers, he said.

If the theory NAIC has is to get the FTC to withdraw the citations, he said, the insurance business won't know where it stands. He said he hopes NAIC and the committee will realize that the code is unnecessary. It will make no difference to FTC whether or not it is adopted.

Commissioner McConnell of California explained that several states have adopted "little FTC" laws which contemplate the adoption of the present code by NAIC. These little FTC codes are not wise legislation, he said. They give the insurance commission too much power.

The commissioner said that in the Fireman's Fund citation it is being

argued that FTC claimed jurisdiction over the advertising of the company in all states except California, because California has laws governing misleading advertising of insurers. If there is such a statute in a state, Mr. McConnell said, that ends FTC jurisdiction.

Mr. McConnell suggested that the A&H code should have been worded in positive rather than in prohibitory language. This would, he suggested, have created an umbrella of protection rather than establishing a basis of condemnation.

C. F. J. Harrington of National Assn. of Casualty & Surety Agents asked at both the public hearing and the NAIC subcommittee meetings that agents and brokers, if they are to be considered insurers in the sense of the code, as stated in one section, should have a voice in its development. Lawrence Pomeroy of National Assn. of Insurance Brokers voiced a similar opinion at the public hearing.

The subcommittee on company reports and A&H claim settlement of the subcommittee of A&H put off the discussion of claim settlements until a meeting of the commissioners and the business could be held. No date was set for the meeting.

The adoption of a state fair trade practices act should be urged as a primary consideration for the ousting of FTC jurisdiction, the subcommittee of A&H said at the meeting on state laws governing misleading and deceptive advertising. Commissioner Pansing of Nebraska, chairman of the subcommittee, said he believes it is the basis for such an ouster, if it is possible. He listed three laws for which the

states seek to retain jurisdiction of the regulation of A&H insurances as the uniform A&H provisions law and the uniform service of process act and the fair trade practices act. However he said that the fair trade practices act was the essential one for every state. Mr. Harrington spoke on behalf of the services of process act. He also said that the FTC has a strongly arguable case concerning its right to determine whether state laws are adequate to regulate insurance.

Mr. Harrington believes the NAIC and the insurance business has a long way to go before the problem is solved.

At the Blue Cross-Blue Shield section of the sub-committee of A&H, Mr. Pansing, who is also chairman of this group, said that the problem of maternity benefits is still on the agenda and the study of state laws which determine the regulation of Blue Cross and Blue Shield are to come up, however no action had been taken since the meeting last June. It was decided there was no need for an executive session and nothing was done about the current problems.

Tenn. Names Receiver for Inland Empire

Commissioner Northington has appointed attorney Harry Phillips as Tennessee receiver of Inland Empire, which has been operating in the state with 225 agents since Dec. 31, 1954. Mr. Northington states that the insurer is indebted to policyholders through unearned premiums in the amount of \$97,000 with outstanding and unpaid claims in the state totalling \$37,000. He classed a portion of the company's assets of doubtful value and not readily salable.



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(CONTINUED FROM PAGE 2)

increase in potential insurance buyers. Agents should be careful not to become "plodders," Mr. Woodbury warned, but instead should be executives and employ the plodders. Too many agents consider themselves too busy to contact prospective customers, when in reality they are tied up with office details they should not be handling in the first place.

Several sales clinics occupied the first afternoon, under the general direction of H. C. Pfenninger.

The fire sales clinic was headed by A. F. Adland, in which homeowner's policies were treated by Shirley Lawrence, Camden Fire, and L. E. Driscoll of Norwich Union. Talking on comprehensive dwelling policies were John Lemmon, Caledonian, and Mr. Adland, who is with Hartford Fire. Business interruption subjects were discussed by Mr. Pfenninger, who is state agent of Sun, John L. Thompson, assistant manager, and William E. Clark, superintendent of the audit department of Kentucky Inspection Bureau. W. D. Voorhees, National Fire, talked on "Increased Valuation of Real and Personal Property."

J. W. Wilson was chairman of the casualty sales clinic in which fidelity bonds were discussed by Robert M. Vincent, Travelers, and comprehensive, personal and farmers comprehensive liability by Kenneth Roberdeau, Glens Falls.

Mr. Woodbury became the recipient of a Kentucky Colonel's commission, and it also became known that Martin W. Boedeker, state agent of Royal

Exchange, has been named to the staff of retiring Governor Wetherby as a Kentucky Colonel.

Home arranged a luncheon Monday at which L. Vaughan Grady, vice-president, discussed homeowner's policies before more than 200 agents.

Cad P. Thurman, veteran state agent of Continental of the America Fore group, was prominent at the convention, with the agents wishing him success as the next state insurance commissioner. It is generally understood that governor-elect Chandler will announce Mr. Thurman's appointment in the very near future.

At the Tuesday session the convention heard the annual report of Sheridan C. Barnes, national director, who was association president in 1946-47. He told the story of national association activities.

David Gray, New York, assistant to the vice-president of Afco discussed easy payment plans.

Then the convention went into a completion of the previous day's clinics, including fire, casualty and inland marine, most of which material other than questions and answers had been handled Monday. In addition to fire and casualty the clinic included general automobile insurance, including medical payments, in which Russell M. Caughon, superintendent of underwriting department Aetna Casualty, and Frank X. Keenan, superintendent automobile department for Kentucky and Tennessee for America Fore carried the ball.

In the inland marine sales clinic,

Richard Doefer, as chairman presided, with Don Anderson, special agent for Home, discussing farm equipment and livestock floaters; and Mr. Doefer, special agent for Aetna Fire, commercial block policies, with Jack Redmon, state agent for Camden, talking on door openers.

The Kentucky chapter of CPCU held an all industry luncheon on Tuesday, with Arthur Cary, president presiding; and guests seated at the speakers table included Phil Davidson, president University of Louisville; Guy Billington, retiring president of the Kentucky association; Jess F. Snowden Jr., president Kentucky Assn. of Mutual Insurance Agents; E. Ewing Carrico, president Louisville Board of Fire Underwriters; Wendell E. Haward, general manager of Kentucky Farm Bureau Mutual, and Fred Crowell of the *Insurance Field*.

There were around 250 to 300 present at this meeting, including Baylor Landrum, last year's president, who is just recovering from a long siege of polio.

The keynote talk was made by George Whitford, Fire Association vice-president.

George G. Gibson Jr., a former state agent, now a local agent in Louisville, as regional vice-president of CPCU, conferred the designation on three graduates.

Following the CPCU program the regular program was continued, in which M. J. Whitmar, Cincinnati, vice-president and director of advertising, Dineran & Co., discussed "A Public Relations Program for the Local Agent," the basic principles of which he has told on previous insurance programs.

The final panel was entirely composed of state department of revenue, safety and policing, including W. R. Ratlif, supervisor safety section, department of revenue; Col. Charles C. Oldham, commissioner of the state police; John Kinnard, commissioner, motor transportation department, and Jack Musselman, manager of the Kentucky automobile assigned risk plan.

In the numerous resolutions offered there was one that suggested that automobile manufacturers reduce speeds of automobiles produced to a maximum of 70 miles an hour, in view of 60 mile top speeds in most states, and further suggested that the Kentucky general assembly investigate this situation and take suitable action, after reviewing all phases of the argument for reduced speeds and greater safety.

Another resolution thanked the director of the casualty and surety division of the insurance department, John P. Mallett, for his assistance in securing the agents a commission under workmen's compensation assigned risk policies.

Resolutions also opposed agents representing companies that are semi-direct writers as not being a part of the normal agency system program.

At the banquet night, A. G. Harrison received the Cherokee Cup, as the Kentucky man who has done the most over the year towards furthering high principles in the insurance industry. Jimmy Harris, also of the C. D. Harris & Sons agency, of which Mr. Harrison is a partner, also received the sales plaque of the Royal-Liverpool group.

Hunt Puts Service Fire on Probation in Okla.

Commissioner Hunt of Oklahoma, following a hearing last week, placed Service Fire on probation for an indefinite time pending his consideration of the company's proposal for the refunding of premium overcharges resulting from misclassification of physical damage insured, with the understanding that this does not restrict the commissioner from further legal action.

Policy in Insolvent Insurer No FR Excuse

Florida Insurance Commissioner Larson has ruled that motorists holding automobile liability policies with insolvent insurers must be prepared to satisfy financial responsibility laws or suffer the loss of driver's license, motor vehicle registration, or both, in the event of an accident.

Wyatt to Ohio Claims Post for Great American

Great American has named John H. Wyatt staff adjuster of its newly-opened Cincinnati claims office at 915 Schmidt building.

Mr. Wyatt, who joined the company after several years of adjusting experience in Ohio, will handle claims in southwestern Ohio and northwestern Kentucky.

Yeargan Texas President

FORT WORTH—Gordon S. Yeargan, president of Trinity Universal of Dallas, was elected president of Texas Assn. of Stock Fire & Casualty Companies at a meeting here. Other new officers are: Vice-president, G. W. Greathouse, Employers Casualty, and secretary-treasurer, Joe Perringer.

Talks on Mo. WC Rates

Seldon E. Brown, insurance manager of Associated Industries of Missouri, spoke on Missouri workmen's compensation rates at the meeting of the St. Louis conference last week. Superintendent Leggett on Nov. 10 disapproved the filing by National Council on Compensation Insurance for a 6.3% average increase in rates, coupled with the proposal that the formula covering expenses and losses in loss adjustment be changed.

Waldron Named by A. M. Best

Frank R. Waldron, who has been metropolitan representative in New York City for A. M. Best Co. and Flitcraft, has been appointed director of sales for the organizations to succeed the late Walter H. Brockhaven. Mr. Waldron has been with A. M. Best Co. since 1946, and has been in New York since 1953.

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Wartime Marine Problems Discussed

(CONTINUED FROM PAGE 15)

tration. She was an excellent vessel, on a voyage from the U.S. to Great Britain. There had been no violent weather to account for the disappearance, but during her voyage, German submarines were known to have been particularly active off the western coast of England. The court of appeals, in reversing the lower court, held that the legitimate inference and not a mere surmise was that the loss had been due to hostile torpedoing, and inasmuch as the policy that was being sued under contained the FC&S warranty, there was no right of recovery.

Hulls also are subjects of war risk insurance. But, while the ship itself is exposed to the same perils as the cargo, the hull risk in modern times has been assumed, almost entirely, by the governments during hostilities.

The government schemes are usually put into action after hostilities have commenced and often a period of many months elapses before they are functioning. There have been two separate schemes for each world war, but insurers are now prepared with stand-by plans that can be implemented without delay should they be faced with a major war involving naval powers.

The stranding of the *Coxwold*, decided by the House of Lords to be a war casualty, resulted in the amending of the FC&S clause to its present wording.

The motor vessel *Coxwold*, requisitioned by the British ministry of transport, was carrying petrol, from Greenock to Narvik, Norway, for use by British forces.

The vessel stranded on the Damsel Rocks on the west side of the Isle of Skye. The arbiter decided it was a war loss. The court of appeals reversed the decision. The House of Lords then reversed the decision of

the court of appeals and decided it was a war loss. The marine risks were insured by the owner of the vessel. The risks of war were assumed by the ministry of war transport.

The war exclusion clause in the marine policy excluded "the consequences of hostilities or warlike operations" and "loss of or damage caused by hostilities or warlike operations."

The arbiter's conclusion was that the loss was the direct consequence of a warlike operation. He said the fact that a marine peril is rendered more acute by reason of war conditions does not turn it into a war risk. The ship was taken far off her course by an unexpected and unexplained tidal set. But for that she would not have stranded. The mere fact that a ship is in a particular place because of a war does not make her loss the result of a warlike operation.

The beginning of the FC&S clause, which Mr. Thorn calls the war extension clause, probably was the *Ionides* case in which the court held that the cause of the loss was the fact that the captain was out of his reckoning about 50 miles when he changed his course, and that the extinction of a light was not the cause, though there was a remote chance that if it had been alight, as in peacetime, the stranding might have been averted.

American underwriters did not adopt the same FC&S clause as did the British underwriters after the *Coxwold* decisions, Mr. Thorn said. This had nothing to do with the underwriting. The U.S. government and the office of price administration wished to keep the cost of insurance as low as possible and since the government was insuring war risks on most cost of living commodities at compensatory rates, it was their desire that certain borderline losses come under the war policy so that the marine rates could be kept low. As a consequence, the war exclusion clause in the American market during the war years, excluded from the marine policy such borderline perils as "stranding caused by the absence of lights, buoys or similar peace time aids to navigation consequent to wartime regulations," and many similar perils. These perils were then picked up under the war policy and the commercial underwriters, in return, agreed to give the exclusion to these risks consideration when setting their marine rates.

It was not until after the war that the American market adopted a war risk exclusion clause, that paralleled that used in the British market since the latter part of 1942.

Brown Bros. Names Two

Allan C. Smith has been named adjuster in charge of the Brown Bros. adjustment office at Palm Springs, Calif. He had been with American Automobile at Los Angeles and before that was with U.S.F.&G. at Des Moines.

Jack Bowen has been named to the staff at Long Beach. For four years he has been an adjuster at Los Angeles for Swett & Crawford.

Denver Insurance Offices Move

Several of the company offices in Denver are moving or expanding. St. Paul F.&M. is moving from the G.E. building to larger quarters in the Railway Exchange building, and Security of New Haven is moving to the Redding-Miller building in the Cherry Creek shopping district. Aetna Fire will move shortly to 430 East Seventh avenue.

Indianapolis Surety Men Name Schmitt President

Surety Assn. of Indianapolis has elected Robert W. Schmitt, Fireman's Fund group, as president, and Stanley McComas, American Automobile, vice-president, George Falter, U.S.F.&G., secretary, and Philip Thompson, Traversers Indemnity, treasurer.

Magazine Tells Christmas Story

The December issue of *The Record*, monthly magazine published by Fireman's Fund group, is devoted entirely to the biblical story of Christmas as recorded in the gospels of St. Matthew and St. Luke.

Six full-page illustrations, painted especially for *The Record*, reflect the middle east setting of the Christmas story in a contemporary style. The illustrations are printed in full-color to complement the simple, moving story.

Duncan Picked as Alaska Insurance Commissioner

Ross Duncan, formerly assistant to Commissioner Hammel of Nevada, has been selected out of a field of 80 applicants as the new insurance commissioner of Alaska. He has already taken office.

K. C. F.&M. Joins Interbureau

Kansas City F.&M. has been elected to membership in Interbureau Insurance Advisory Group.

Bank Agency to Dissolve

Marine National Co., an affiliate of National Bank of Commerce of Seattle, will retire from insurance business on Jan. 1. The agency has been a competitive thorn to the local agents in the area and several years ago the agents retained counsel to investigate the possible violation of the national banking act.

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OFFICES — COAST TO COAST



Unions Fight State Control of Welfare Funds

(CONTINUED FROM PAGE 19)

M. Cathles Jr., assistant vice-president of Aetna Life; J. Henry Smith, vice-president of Equitable Society, and A. Lutnicki, 2nd vice-president of John Hancock; Ray M. Peterson, vice-president of Equitable Society, and Albert Pike Jr., actuary of LIA.

The ALC-LIA group gave several reasons to support the life companies' contention that joint trusted union welfare funds are in fact doing an insurance business and, to the extent that they are so engaged, should be regulated as insurance.

First, the spokesmen said, beneficiaries of a trust need the protection of the regulatory features of the insurance code. State laws declare that the business of insurance is one charged with public interest and they recognize the principle that insurance should be publicly regulated. It is especially important for joint trusted union welfare funds to be regulated by law because these funds involve the financial well-being of millions of what amounts economically to life

workers and their families. Their very newness, compared with established life companies, indicates the appropriateness of more detailed regulation rather than less.

"The fact that a third party handles and distributes funds contributed by employers for the benefit of so many individuals, or contributed by employers and employees together, results in the creation of many issues essentially the same as those which have dictated the conclusion that insurance company operations should be under constant review and scrutiny by a public official. It is paradoxical to maintain that established institutions with decades of experience require close regulation in the public interest, but that individuals without long experience and with limited resources do not need such regulation.

"We can think of no possible reason why group life insurance policies issued by life insurance companies should be required to contain a conversion privilege operative on termination of employment, and yet joint trusted union welfare funds providing

insurance protection should not be considered as doing a life insurance business and should thereby be relieved of this requirement."

Also cited was the New York law requiring issuance of certificates to individuals employees insured under group life and group A&H, while no such certificates are required to be issued by a union welfare fund providing benefits directly, if the funds were deemed not to be doing an insurance business and not subject to these requirements. Without proper certificates and other written evidence of entitlement to benefits, employees covered by union welfare funds providing benefits directly might never know their rights and privileges.

Employees and their beneficiaries need a public body to whom they can turn in the event of misunderstanding or dispute. This is the committee's second reason why the funds should be regulated as insurance. If a joint trusted union welfare plan is not considered as doing an insurance business, there would be no recourse to the insurance department in cases of dispute. If an error or inadvertent discrimination occurs, the employee has no independent public body to turn to in order to get his questions answered. Although he can look to his union or his employer for aid in collectively bargained plans, he lacks the additional recourse of the independent public body. Also, the rights of non-union members and of members of other locals covered by one all-embracing union welfare fund must be remembered.

If New York joint trusted union welfare funds were regulated by reason other than their doing an insurance business, the state would lose substantial premium tax revenue, the ALC-LIA group said.

Federal regulation will be invited if uninsured plans are not considered to be doing an insurance business, according to the ALC-LIA statement.

"State regulation of uninsured union welfare funds, separate from the insurance phases thereof, presently exists in no state in any considerable degree, and can hardly be expected to become law in many states in the foreseeable future," it said. "If the insurance phases of union welfare funds are not generally regarded as the doing of an insurance business, a regulatory vacuum will be created which can be filled with dispatch only by the federal government."

"It hardly seems debatable that federal regulation of uninsured welfare funds, when placed alongside state regulation of insured funds, will create a competition between them which will ultimately threaten the very foundations of state regulation of insurance. Beyond this, federal regulation will never be adequate to reach all funds such as those which are interstate or local in character....

"We believe it would be highly dangerous to the principle of state supervision of insurance if any regulation of the non-insurance functions of trusted plans, other than simple disclosure legislation, were to be enacted at the federal level. While the insurance phases are separate operations, they intimately affect one another. If the federal government were to regulate the non-insurance phases, but the various state governments the insurance phases, it would probably be only a question of time before the need of

a unified regulatory procedure would be required in the interests of proper coordination.

"Furthermore, some trust funds are not involved in interstate commerce at all, so they are not subject to federal requirements such as the Taft-Hartley act. Divergent principles might develop if the federal government were responsible for regulating one type of trust, and the states the other types. Joint trusted union welfare funds are presently doing an insurance business under New York law. If the law is to be amended at all, it should be to make this fact more clear rather than less."

Spencer L. McCarty, Provident Mutual, Albany, managing director of New York State Assn. of Life Underwriters, said the organization's tentative views on the subject, as set forth in an earlier letter to Mr. House, had been confirmed at the subsequent semi-annual delegate meeting. Mr. McCarty was accompanied by Harold W. Baird, Northwestern Mutual Life, New York City, vice-president of the state association.

The association feels it is not in the public interest to substitute a consultant's fee for a commission on welfare plans. It would fail to curb the abuses in connection with fees and might accentuate them. The substitution would tend to bypass the control now exercised by the insurance department on commissions.

"More complete disclosure would have a good effect on welfare plans, particularly if the disclosure went beyond the insurance department and extended to the fund members," Mr. McCarty said.

The association believes that someone should be made to justify the necessity of payment of fees, including the disclosure as to the ultimate recipients.

Also advocated is strengthening of the insurance department's authority to ask questions on pre-licensing applications.

"Tax equality between funding methods of welfare plans might well be inaugurated," Mr. McCarty said.

Mr. McCarty filed a copy of the detailed letter which gives the association's reasons for advocating the points he listed at the hearing.

Asked by Mr. House if he felt regulation and disclosure should extend to all plans, Mr. McCarty replied in the affirmative. He added that the association sees no reason to limit disclosure to half of 1% of premiums. All "vital information" should be disclosed, not just commissions. He included in this, facts vital to beneficiaries, finances, salaries and actuarial assumptions.

Mr. Baird said service fees and commissions should be disclosed, also.

Discussing the recognition of actuaries in Canadian laws and governmental regulations, William M. Anderson, president of North American Life of Toronto and president of the Society of Actuaries, said it was his personal conclusion, judging from the Canadian experience, that fellows of the society of the English and Scottish organizations, may be granted full authority to deal with all actuarial matters without further qualifying steps being required. For certain purposes, associates might also be granted authority to act. In situations where the available supply of fellows is inadequate, or where other experienced persons

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are already performing actuarial services, recognition might be extended to associates with substantial experience as of a specified date. Such a temporary process might also extend to other persons of substantial experience whose qualifications are demonstrable

by examination. However, from the longer term point of view, it should be contemplated that fellowship by examination in a recognized actuarial body should be the principle criterion in qualifying a person to perform actuarial services prescribed by statute.

Opening Statements Set Scope of Hearing

Opening statements in the New York department's hearing on welfare fund controls outlined the CIO's position, the recommendations of the New York City Bar Assn. and the questions which the department will attempt to solve through the hearing.

The CIO's position was presented in a statement by Arthur J. Goldberg, CIO general counsel and director of the CIO standing committee on ethical practices. Mr. Goldberg was not present and his statement was read by Jack Barbash, CIO economist.

Mr. Goldberg declared that "the problem of commission payments was crucial in any program designed to eliminate abuses in the administration of health and welfare funds.

"It seems to us that no legislative proposal that does not grapple with commission abuses will get to the core of the problem," Mr. Goldberg's statement continued. "Our recommendation on this point is this: State regulations and interpretations should be amended wherever necessary to permit the waiving of commission payments in a group insurance policy where no service has been performed by an agent or broker.

"To be sure, there is a slogan in the insurance business, 'insurance is sold, not bought.' But in insurance programs negotiated through collective bargaining, insurance is in fact bought; that is, parties to collective bargaining have pretty well decided what they want by way of an insurance program, in considerable detail. We can see no reason why commission payments should be mandatory where no service has been performed.

"Where a service has been performed by an agent or broker, then of course his services should be justly compensated for. Moreover, the state insurance department can perform an important function by policing commission practices and assuring adherence to filed decremental scales. If a state has no regulation governing the filing of commission scales, then it seems to me in order to suggest appropriate legislation for that purpose. But adherence to these decremental scales cannot be taken for granted."

Mr. Goldberg said the insurance department report made while Superintendent Bohlinger was in office revealed commission payments which could not be justified on any published scale of commissions. He said steps must be taken to prevent such exorbitant commission payments and "it is a fair inference from the facts that if we eliminate excessive commissions or unjustified commissions we will be eliminating or at least minimizing corruption and commission-splitting at its source."

"Moreover, insurance departments might pay some attention to the character of the people whom they license to serve as brokers or agents," Mr. Goldberg continued. "I would not regard association with racketeers and gangsters as a qualification which ought to recommend an individual as a licensed broker or agent.

"The state government can perform an important function by vigorously

prosecuting those who are responsible for failure to discharge adequately their duties as trustees and those who are collusively engaged with them. Many of the practices which have been disclosed by investigations appear to me as a lawyer to have been a callous abdication of fiduciary obligations under the law.

"How many legal actions have been undertaken against those who have abused their trusts? If additional law is needed on the subject then you can be sure that the organized labor movement will support every effort to punish those who are guilty of violating their obligations, and their accomplices in dishonesty."

The CIO, said Mr. Goldberg, favors a disclosure requirement, which should be embodied in a federal statute. Mr. Goldberg pointed out that a large proportion of welfare plans operate across state lines and this is overwhelmingly true of plans negotiated by CIO unions. The CIO questions the usefulness of subjecting these plans to the diverse regulations of a multiplicity of state laws. At the same time, if the states want the information the CIO would have no objection to providing by law that the appropriate state agency receive a copy of the disclosure form.

"But the likelihood that a health and welfare plan of the General Motors Corp. or the U.S. Steel Corp., for example, will be subjected to a multiplicity of state regulations does not strike us as being in the interest of sound and uniform administration," said Mr. Goldberg.

"This does not mean, however, that the states should be excluded from the legislative picture. On the contrary, we think that that role lies in the field of insurance practices and the enforcement of laws relating to the fiduciary obligations of trustees of such plans.

And if investigation reveals that existing laws on the subject are not adequate, then we favor additional legislation."

The CIO's position is that whatever regulation is undertaken should apply to all health, welfare and pension plans, no matter by whom administered.

"The most frequent objection we have heard has been that plans bargained on a level-of-benefits basis and unilaterally administered by employers or other agencies should not be subject to disclosure," he said. "We believe these objections rest on several untenable premises. First, there is a substantial public interest involved in all health and welfare plans. There is clearly a public right to know how these plans are being administered irrespective of who is doing the administering. The manner in which the funds are being used can have a considerable impact on public policy."

Secondly, the CIO disagrees with the argument that the union or beneficiaries have no interest in the administration of a plan as long as the benefits called for are forthcoming, since the money that goes into these funds could have been paid to the employee in some other way and hence is a part of compensation.

Mr. Goldberg pooh-poohed the argument that regulating unilaterally administered plans will mean there will be no end to what the employer will be required to report on—Christmas bonuses, Thanksgiving turkeys, Coke machines. He said the CIO's bill takes care of this objection by limiting disclosures to health, accident, sickness, disability, hospitalization, surgical, medical care, life insurance, death, unemployment or retirement.

"We think it would be a serious mistake at this time for any legislation to go beyond disclosure of the details of health, welfare and pension programs," Mr. Goldberg said. "I wonder if those who advocate the regulation of the substantive aspects of health, welfare, and pension plans—many with the best intentions in the world, I know—appreciate the infinite variations which such plans take in meeting the special problems of the industries and workers to which they apply. These variations cover such major problems

as coverage, methods of financing, methods of funding, methods of insurance, collection of employer contributions, problems of internal administration, investment policies, to mention but a few.

"The value of collective bargaining in this area of health, welfare and pension programs lies precisely in the fact that the parties who are best informed about the needs of industry and workers, custom-make their programs and procedures to meet these needs. This does not mean that they will not make mistakes—they have and they will. But the injection of a legislative formula for the content and administration of these programs will create a rigid mold which all programs will have to conform to.

"Such rigidities are likely to be far worse than the mistakes made by management and unions in collective bargaining sessions. Legislative mistakes have a way of perpetuating themselves. Legislation ought to deal with dishonesty rather than attempt to substitute the judgment of state administrative officials for union-management negotiators."

Mr. Goldberg also urged that in drafting legislation the insurance department be sure to draw a careful line between dishonesty and errors in judgment. He said that the reports of other governmental agencies in this field have not shown such discernment but have drawn inferences of dishonesty or chicanery from actions which appear on their face to be, at worst, errors in judgment on the part of fund officers.

Mr. Goldberg expressed the belief that the imposition of a comprehensive disclosure requirement will in and of itself be a substantial deterrent to under-the-table deals and back-door bribes.

"A disclosure statute wisely administered can contribute a great deal to the creation of an arm's length bargaining relationship—which is what we are really after—with respect to the significant transactions involved in any health, welfare and pension plan," he said. "For example, we see no special or magical quality about a statutory requirement for competitive bidding in the purchase of insurance.

(CONTINUED ON FOLLOWING PAGE)

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Going through the routine of competitive bidding on, let us say, the basis of gross premium, is no assurance of anything. The important thing is to provide some incentive to the trustees or administrators of a plan to exercise prudent judgment in buying insurance and in investing the resources of the fund. We believe disclosure may contribute to these objectives."

Though he was pressed by Insurance Superintendent Holz, who presided at the hearings, and by the department's special counsel, Martin House, Mr. Barbash clung to the superiority of a federal as against a state disclosure law. He said the unions' experience with state requirements has been unfortunate, that they are hindered by "technical non-compliance" with state law and regulation. He said the unions fear a similar situation in connection with a state disclosure law covering welfare funds. He did admit that if there were no federal legislation, the CIO would favor wise legislation in disclosure at the state level.

Mr. Barbash pointed out that if state legislation were at odds with federal legislation, the courts might have to rule where the jurisdiction of one ended and the other began; and if state legislation on disclosure is enacted first and federal legislation later, serious doubt might be cast on the state legislation.

Mr. Barbash said the talk has been about and investigation has been of jointly managed welfare plans, but in

dollar volume and employee numbers the plans administered unilaterally by employers or unilaterally by unions are larger and they should be regulated; disclosure should apply to those funds also.

Why should unilaterally managed plans be regulated? Mr. House asked. Because, Mr. Barbash replied, there are involved large issues of public policy, the effects on national fiscal affairs, etc. Non-contributory employer funds are in a very real sense wages, he said, and union members have a strong ethical interest in how the money is handled. He cited the case of a pension fund used to manipulate the stock of the employing firm.

Mr. Holz commented that many funds are intrastate and could not be reached by federal disclosure legislation, but Mr. Barbash argued that if labor relations are involved there is little question of federal jurisdiction. Mr. Holz said large insurance companies are regulated by 48 states and they do not find the regulation onerous.

I. Robert Feinberg, chairman of a committee which prepared a report on fund regulation for New York City Bar Assn., read the proposals in that report. All funds should be covered, whether managed jointly or unilaterally, and whether furnishing pensions or welfare (including disability) benefits. The report calls for registration of the fund, a governmental agency should be empowered with investiga-

tory powers, there should be annual reports and these reports should be on file with the government agency, etc.

Further study should be given brokerage commissions on welfare fund business. The bar report also called for federal disclosure and investigation power with respect to funds of employers in interstate commerce but with jurisdiction ceded the state which has welfare fund legislation over funds with headquarters in that state.

Mr. House pointed out that the bar proposals would ban the operation of Amalgamated Life of New York, which is in effect owned by and operated for the benefit of clothing workers.

Mr. Feinberg said personally he could see no harm if welfare funds profits or commissions on such business went into the welfare fund. Mr. House responded that it is presently unlawful for a union fund to own an agency. One agency, he said, has been set up to act as broker for certain welfare funds. Under present law the agency cannot return the commission earnings to the welfare funds but it does employ unemployed members of the unions it serves.

Employment of union officials by welfare-pension funds is self-dealing and should not be permitted, Mr. Feinberg said. While more study is needed in this area, he suggested that those who serve as fee trustees might be paid something like corporation directors are paid, a fee for each meeting.

In his opening statement, Mr. House, who is conducting the investigation for the New York department, listed a number of questions that the investigators are trying to solve. Here are what he termed "the primary issues that have crystallized":

"What types of welfare and pension plans should be brought within the scope of regulation? Should the regulations blanket all such funds or should a distinction in kind be made among different types of welfare and pension funds from the point of view of regulation? Are these distinctions valid?

"To what extent should the regulatory agency concern itself with the internal operations of the funds? If disclosure is the remedy for some of the abuses which are charged, how extensive should that disclosure be, and to what state agency should it be made? To what extent should the financial transactions be disclosed to members of the plan? Should any rules of safety be adopted in connection with investments? Is it necessary to prescribe accounting procedures? Should the state intrude so far as to supervise the plan's rules concerning eligibility for benefits, or the type of benefits to be conferred?

"Today, certain plans provide benefits without purchasing insurance or annuity contracts. However, as the New York statute has been interpreted, jointly-administered welfare plans formulated under the provisions of the Taft-Hartley act are not permitted to provide benefits without the intermediacy of an insurance carrier. Should the insurance law be amended to allow such jointly-administered plans to self-administer their benefits? Should such self-administered plans be left entirely free to conduct their affairs without the guiding or restraining influence of a regulatory body? If regulation is indicated for these funds, how far should it extend?

"Should the state attempt to control salaries or fees paid to fund administrators, or to limit the amount of fund monies spent for administration?

"Should the state examine the character of persons who act as trustees or executives of welfare funds? For example, should it forbid convicted criminals from holding such posts?

"Should the state act to forbid relationships which might be compromising between trustees and administrators of funds and those with whom they do business? Alternatively, should this be left to illumination by careful disclosure to the interested parties? What steps, if any, should be taken to promote a sense of fiduciary responsibility on the part of welfare plan trustees?

"Should any attempt be made by a regulatory body to assure that contributions paid into pension funds are sufficient to meet current and expected benefit costs, on the basis of sound actuarial assumptions?

"As an aid to selecting a carrier for a group insurance program, what are the merits of competitive bids showing in advance the estimated amount which the insurance company will ultimately withhold for the purpose of profit, overhead and contingencies? What are the shortcomings, if any, of such a proposal?

"These are among the questions which have been raised and will undoubtedly come up again.

"While the primary objective of this hearing is to aid in the development of a legislative program, it is bound to yield an important by-product. This hearing should help shape appropriate guides and standards which welfare fund administrators should impose upon themselves and without which even the best of regulations would be seriously hampered.

"The beneficiaries of these funds are many; their separate powers are very small. They have not the time nor the knowledge nor the financial resources to defend their interests or enforce their rights. In other comparable situations, the state has, as a rule, intervened to offer some measure of protection and opportunity for redress...

"Employe welfare funds are free from the checks and restraints of any state regulatory agency. They do not even report, unless voluntarily, to their own beneficiaries. The reports presently provided for under certain federal statutes—the Taft-Hartley law and the internal revenue code—are designed for limited purposes. These statutes were not designed for, and are not adequate in any sense for the general protection of welfare fund beneficiaries.

"This is the situation. We must decide in what manner and to what extent should it be changed."

De Waters Retires from Royal Exchange

Walker De Waters is retiring from active duty as assistant manager of Royal Exchange, State Assurance, Car & General, and vice-president of Provident Fire.

He has been in insurance since 1919. He joined Royal Exchange group in 1926 as state agent, and introduced Provident Fire into Florida. In 1928 he went to the New York office as general agent. In 1951 he became branch secretary, and in 1952 assistant manager of Royal Exchange, State Assurance, and vice-president of Provident Fire. In 1954 he was designated assistant manager of Car & General.

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Controversial Report on Bankers L. & C. Is Killed by Ill. Court

A decision has been handed down by Illinois court of appeals in the much contested convention examination of Bankers Life & Casualty of Chicago. The apparent effect is to remove from the examination report all comments argued by Bankers to contain "damaging conclusions, argumentative statements and innuendoes."

The examination is as of June 30, 1952, and was made during the tenure of J. Edward Day as Illinois director. There was a hearing conducted by Mr. Day after the examination was completed and Bankers filed 21 specific objections and a general objection claiming violation of the duties and authority of the director. The director sustained some of these objections and

overruled others, and the company took the case to the circuit court.

The circuit court handed down an elaborate decision holding that the examination violated the insurance code in that it contained more than simple statements of fact. Every statement which was not a statement of fact ascertained from the books and records were set aside from the report, and the circuit court decree gave details on each of these deletions and substitutions that were to be made.

The department took this issue to the appellate court, in the meantime publishing an amended report as per circuit court instructions, so that states requiring the convention examination would have one and thus would be able to license Bankers. This amended published report was, by stipulation, not a matter at issue in the appellate court case. The question before the appellate court was whether the original report containing comments on the Bankers Life & Casualty operations should be allowed to be reinstated.

The appellate court pointed out that the insurance code says in making examinations the examiners "shall make a full and true report of every examination made by them, which shall comprise only facts ascertained from the testimony of officers or agents or other persons examined under oath concerning the business and affairs and the assets of such company or person."

The obvious intent of the legislature, the appellate court said, is that no company "shall be subjected to any injury by the report before a hearing by the director and before disposition of any appeal to the circuit court." The appellate court agreed with Bankers that the 1952 report "contains damaging conclusions, argumentative statements and innuendoes, instead of facts only."

Such a report "that did not state facts and contained statements injurious to plaintiff, not justified by the record, could inflict irreparable injury upon plaintiff, not only in this state, but in the other states where it is authorized to do business."

The peculiar aspect of the appellate decision is that the decree of the circuit court is reversed with directions that the circuit court shall enter a decree setting aside the report of the director in toto and enjoining the director from enforcing the report. This was based on the theory that the circuit court had used incorrect procedure in handling the case and had authority only to set aside or approve the results of the director's hearing. Instead, the circuit court had made elaborate changes in the report.

By setting aside the entire report, there may be some question as to whether the already published report is thus set aside, although this would seem to be more or less of academic interest because Bankers is just about ready for another convention examination.

N. H. Agency Burned Out in \$200,000 Fire

The insurance agency of Mrs. Sara Moses at Plymouth, N. H., was destroyed in a fire which gutted the Rollins building there with a loss estimated at over \$200,000.

Several business establishments including a drug store, a grocery, law offices and a beauty shop were also destroyed, as well as a branch of the J. J. Newberry chain.

Matter of Reserves on Installment Business Held Over

NEW YORK—The commissioners subcommittee on installment premium reporting in the annual statement met during the NAIC midyear here and announced it had decided the subject requires more study. More meetings will be held with the business and a report made next June, Joseph Wikler, deputy New York superintendent, said. He sat in for Holz of New York, who is subcommittee chairman.

The subcommittee held a couple of meetings this fall. New York had asked for the hearing to correct a technical inadequacy in the unearned premium reserving done on an annual basis with respect to installment business. Then, however, the discussion developed into a rediscussion of the entire subject of whether reserving for installment business should be on an annual or full term basis.

Bureau Eyes Rates, Hears Humphreys

Proposed revisions in workmen's compensation rates in Massachusetts will be discussed at a public hearing Dec. 5 at Boston. The revisions, filed by Massachusetts Workmen's Compensation Rating & Inspection Bureau, will result in an average increase of 1.007%, which allows for a proposed 2.5% contingency factor which has previously been proposed but has failed to be approved.

Meanwhile, Commissioner Humphreys of Massachusetts warned that reckless haste in developing new forms of insurance to beat competition may be bad for both insurance and the public. He spoke at the anniversary dinner of the rating bureau. He said that sound insurance men were in an uncomfortable plight because they have found themselves committed to ideas they doubt in principle but have agreed to because they did not want to be singled out as old hat obstructionists.

"The rushed introduction of certain new fire policy forms, automobile bodily injury forms, in states other than Massachusetts, and the question of variable annuities in life insurance, have appeared to me as showing the warning lights of recklessness dictated by competition under which expedi-

ence has outweighed and blotted out the expression of sound judgment for which the technical bureaus have long been noted," he said.

Other speakers at the dinner were Roy E. Hatfield, manager of the WC bureau, Prof. W. Barton Leach of Harvard law school and Augustus G. Means, executive councilor of the WC bureau. Harold J. Ginsburgh, vice-president of American Mutual Liability, was toastmaster.

Name Superintendent of Agencies at Dallas

Phoenix of London group has promoted Arthur G. Schulze from special agent in Texas to superintendent of agencies in the southwestern department.

His office will be at 212 North St. Paul street, Dallas, which is under the supervision of R. Allen Hickman, resident manager and vice-president.

Royal-Liverpool Makes Field Changes in N. Y. and Western Michigan

Royal-Liverpool group has appointed Raymond Hayward state agent at Binghamton, N.Y., succeeding John W. Weiss, who has been transferred to important duties in Cleveland.

Mr. Hayward joined Royal-Liverpool in 1951. A graduate of the group's field training course, he has served as special agent in Paterson, N.J., for 2½ years.

John G. Johnston and Richard C. Polson have been appointed special agents at Grand Rapids to assist State Agent R. J. Wintermute in western Michigan. Mr. Johnston joined Royal-Liverpool in the general cover department in 1950 and has had five years of underwriting in the New York office. Since June he has been special agent in Minneapolis.

Mr. Polson has been with Royal-Liverpool since 1951. A graduate of the group's production course he was named special agent at Milwaukee in 1954 and held that post until his new assignment at Grand Rapids. Both men will make their headquarters in Royal-Liverpool's new Grand Rapids office in the Insurance Exchange building.

Fosnes to Denver Claim Post

Carl Fosnes, who for five years has been in the home office claim department of St. Paul F&M. group, has been transferred to Denver as claims manager for the companies.

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Prola to Helm of Illinois Agents

Tells Agents How to *Breakfast Sessions Feature Tips on Banish Installment Pay Problems*

Gray Says Afco Plan Boosts Premium Volume, Cuts Agency Expenses

Larger premium volume and less agency expense were the enticements offered Illinois agents at their convention in Chicago this week by David Gray of New York City, who suggested the services of Afco, Inc., as the elixir for problems growing out of the installment payment of insurance premiums.

The industry deferred payment plans now available through fire and casualty companies are "malignancies," according to Mr. Gray. No segment of the business benefits from them, he said. They increase clerical work, both for the company and agent, boost the agent's collection expense unreasonably, and often lead to the situation where the insured begins to look upon an agent as a collector rather than a counselor.

Because of the lack of adequate premium budgeting facilities, and for competitive reasons, many agents carry a large percentage of their clients on their books for long periods of time, the speaker said. If they don't, they fear the agent across the street will. Too often they are forced to borrow money from the bank to pay companies, solely because excessive credit has been extended to customers.

Through Afco, however, agents have a national premium budget organization to which the entire industry can subscribe, Mr. Gray stated. Insured can pay premiums to Afco in small and convenient amounts, on a monthly, quarterly, semi-annual or annual basis. The plan operates uniformly for the benefits of agents as well as insured and insurer. All premiums can be financed, regardless of whether fixed or under an audit or reporting form with a deposit or provisional premium. Practices are standard nationwide, and do not offer competitive advantages to any one agent. Afco understands the insurance business, enabling it to arrange payment plans to fit the needs of varied insured.

Many agents, according to Mr. Gray, have acquired new accounts and sold additional insurance to clients through use of Afco services. Afco's easy payment plans permit an agent to overcome normal resistance to the sale of adequate coverage, relieves the agent of considerable office detail, making it possible for the agent to spend more time in the field to sell and to service policyholders.

Mr. Gray said the agent receives full commission without the delay involved in the present industry deferred payment plans, which in many cases require a wait as long as five years. In addition, the agent's capital requirements are reduced as it no longer is necessary for him to carry insured, and the number of "flat cancellations" diminishes.

Mr. Gray said several improvements in the Afco plan will be instituted

By RICHARD J. DONOHUE

The farmer was pictured as a good but neglected customer at the traditional farm, rural and small lines breakfast during the Illinois Assn. of Insurance Agents conclave in Chicago.

"Here is your market," J. C. Cryan, assistant secretary of America Fore and president of Farm Underwriters Assn., told the early morning audience. "The farmer is a customer with ever increasing values; a customer who will welcome your service and who can pay for the policies you sell."

While the rural agents had breakfast and participated in a panel discussion in one room of the Edgewater Beach hotel, a group of metropolitan and large line agents met in another room to eat breakfast and to hear W. L. Sundstrom, manager of Factory Insurance Assn., Chicago, discuss "F.I.A. Services."

Panelists besides Mr. Cryan at the rural agents breakfast were H. G. Bannerman, Hartford Fire farm superintendent; H. K. Scott, Aetna Fire farm superintendent, and Kenneth S. Ogilvie, secretary of FUA, who moderated the discussion. Gail B. Ranson, Jacksonville, presided.

The average Illinois farm today is worth well over \$30,000, Mr. Cryan said. Movement away from marginal lands is stabilizing and economically sound, he said. The poorest farms and the poorest buildings are the first to be abandoned, leaving behind, of course, the better farmer and the better insurance customer.

Mr. Cryan outlined what the agent has to offer the farmer today, pointing out that improved, broadened and new forms were made effective in Illinois just earlier this month.

Under new form 64, the use of crop-driers is no longer prohibited. Under form 434—blanket farm personal property coverage—outside personal property is covered under a single item with only minor exceptions. Also, theft and overturn, with a \$50 deductible, is covered at no extra charge. And if desired, coverage on cattle can be excluded by endorsement which automatically provides that values of cattle would not be figured in the coinsurance value.

Mr. Cryan also explained form 64-D, the farm dwelling, household and personal effects broad form. He gave a preview of the special farm survey and credit plan for the better than average risk and said he hoped it could be extended to Illinois. This plan is now in effect in Minnesota.

If this plan of lower rates for superior type farm buildings were approved in Illinois, Mr. Cryan said, it would add about three pages to present Illinois farm schedules.

Mr. Bannerman urged rural agents to give that "dollars worth of service" to build and keep the farm market.

Mr. Scott discussed farmers comprehensive personal liability, pointing to the farmer's increasing need for CPL.

about the first of the year, such as reduction in the minimum premium. In addition, he said branches will be opened at Chicago and San Francisco to make the services more readily available.

He said 250% more equipment is being used on the farm today compared with 15 years ago and added that more machinery contributes to more accidents. He said farmers are responsible for hired men, visitors and a multitude of other liabilities.

Emil L. Lederer of Chicago presided at the metropolitan agents' breakfast, one of the most enthusiastic sessions held. Attention was rapt during Mr. Sundstrom's address, and he was kept on the dias for a lengthy question period. There also was close interest in comments from the floor by Louie E. Woodbury Jr., Wilmington, N.C., an executive committeeman of NAIA. Mr. Woodbury told of a recent conference between NAIA leaders and the top management of FIA, at which there was an exploration of avenues that could be improved to help stock company agents increase their superior risk business. He assured his hearers that the FIA management realizes the agent's problems, and continually strives to provide solutions.

Mr. Woodbury suggested agents resubmit risks previously turned down by FIA. Situations change, he stressed, and many times FIA is able to alter a position. He emphasized that FIA will pay particular attention to a risk in danger of losing.

"Only a quarter of a century ago our chief competitors had twice as much business as FIA," Mr. Sundstrom pointed out. Since then, he added, the business of FIA has increased more than 1000% and it now writes \$65 billion, "more than the combined amount of insurance written by all our competitors on our class of business."

The agent who places a risk that could be written by FIA with stock companies should realize it is subject to attack from direct sellers, Mr. Sundstrom said. He advised applying to FIA for coverage and service on such a risk before competition actually exists, "as the direct sellers make their gains by raiding agency stock company business, and if a surprise attack is made close to expiration, an appeal to FIA for assistance at the 11th hour is not always successful."

The direct seller that approaches a risk in the FIA finds policies in force that are "the strongest in the world," Mr. Sundstrom said. Each policy issued is backed by the combined assets of the 103 member companies. They are written under broad forms, without coinsurance, or on a reporting basis and insuring or sound replacement values.

The direct seller has not a single talking point on coverage. Similarly, the direct seller has nothing to offer on service, as the policyholder already has the best. FIA service includes quarterly inspections and special visits by representatives when changes are involved or problems coming up. In addition, the cost is at a minimum.

In meeting direct seller competition through FIA, Mr. Sundstrom said the agent "not only is fortified by its quality, but by the fact that in most all instances the FIA rate is directly comparable to the lowest estimated cost of competitors." The organization is geared to handle all classes of underwriting and engineering problems, as well as offer a continuing service.

Succeeds Mullins; John Naghten New Executive V-P

Nearly 700 at Chicago Convention; Reinsuring Direct Writers Scored

By CHARLES C. CLARKE

Staging an annual convention in Chicago for the first time in some 25 years, Illinois Assn. of Insurance Agents went on record as opposing the action of some stock insurers which they represent in reinsuring direct writers which ordinarily operate only through salaried representatives or by mail, adopted a resolution vowing a concerted effort with other groups in the state to bolster agents' licensing laws, and approved an amendment to the constitution refining requirements for membership, opened only last year to producers who represent mutual companies.

Joseph F. Prola of Springfield was elected president to succeed H. W. Mullins of Rockford, who becomes chairman. The new executive vice-president is John A. Naghten of Chicago. Continued in office was Rogers W. Troxell of Springfield, the treasurer, and Frank H. Hawk, Peoria, was named state national director. Edward J. Dirksen is the executive manager and secretary.

A new high in attendance was expected in view of the fact membership recently passed the 1000 mark, an Illinois all-time high, and that there was an advance registration of 550. The banquet attendance of nearly 700, however, was short of the 750 record established last year. Failure to set a new mark was attributed to extremely adverse weather in northern Illinois over the week end, which made transportation by automobile almost impossible. Roads in more than half of the state were coated with ice, traffic moving only at a snail's pace. Many agents who had planned to attend indicated they were staying home, heeding advice of the state traffic department.

The new membership mark, which is an increase of more than 30% over the past two years, will make it difficult to hold future meetings at the previous traditional convention sites of Peoria and Springfield. The hotel accommodations there are inadequate for a meeting the size of the Illinois convention is becoming.

The board decided that it would hold next year's meeting at Chicago, provided hotel accommodations can be made at a satisfactory time. A special committee also will consider arrangement of sites for the next three years. There is a strong feeling among the membership that Chicago will be the best site for future conventions, though there was some discussion of taking the meeting to St. Louis. Several other trade organizations in the state have held their conventions there.

The hospitality room ban issued by Western Underwriters Assn. last summer was popular at the meeting only as a conversation point. There was considerable evidence of entertaining.

(CONTINUED ON PAGE 35)

Package Dwelling Policy Skit Wins Convention Roses

From a combined educational-entertainment standpoint, the bellringer of the convention in Chicago of the Illinois agents was a presentation on the broad form dwelling policies by members of Illinois Fire Underwriters Assn.

A skit, entitled "ABCs of Insurance," written by G. Robert Nordgren, Automobile, was built around a confused

agent who could not properly categorize the various package dwelling forms. Each of the policies appeared in human form to the agent in his sleep, explaining humorously but accurately and completely the coverages afforded.

At the climax, Santa Claus appeared on the scene, suggesting the agent disregard all other forms in favor of the SC policy. Under this form, designed for the policyholder who pays his premium year after year but never suffers a loss, there is no premium charge. The assured is billed only after occurrence of a loss, and then in an amount double

the loss. The excess is to cover adjustment expense, loading, and the agent's commission. Queried as to what the result would be for the policyholder who suffered a \$50,000 loss, Santa Claus foresaw no problem since he could not imagine any policyholder who could afford to submit such a claim.

Members of the cast, in addition to Mr. Nordgren, were L. W. Berg of Automobile, James H. Rupp of American, Richard R. Savage of North British, E. F. Snediker of Home, James D. Streich of St. Paul F. & M. and Stanley S. Swanson of Crum & Forster.

Present Awards at End of Ill. Agents Parley

The William H. Jennings Jr. membership cup, went to Richard W. Winters, Quincy, as vice-president, region 6.

The C. M. Cartwright merit award was won by Frank Hawk, Peoria, new state national director of the Illinois association.

The Rockford association received the Maryland Casualty local board achievement award.

Officers were installed by Laddie T. Pelnar, assistant Illinois director.

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Local Board Workshop Proves Successful Innovation at Illinois Agents' Convention

By JOHN C. BURRIDGE

A local board workshop designed to supply an interchange of ideas on such matters as advertising, education, membership and fire prevention, was introduced as a new feature of the annual meeting of Illinois Assn. of Insurance Agents at Chicago this week. The session, conducted Sunday afternoon, undoubtedly will become a regular part of future Illinois programs.

Joseph F. Prola, Springfield, executive vice-president of the association and chairman of the local board's committee, was in charge of the inaugural meeting. Although this session was somewhat experimental in nature, Mr. Prola had a well organized program and he proved to be an excellent presiding officer, tying in the various subjects on the agenda so as to make the whole affair follow a definite line of continuity. The meeting lasted for nearly three hours and picked up in attendance as it went along, winding up with an audience of about 50.

At the conclusion, Mr. Prola asked if the workshop idea should be continued and there was unanimous assent.

Lead-off speaker was M. J. Whitmar, director of advertising of Dinerman & Co. advertising agency of Cincinnati, who has been speaking throughout the country in behalf of the syndicated advertising program his firm has prepared to impress on the public the professional service of local agents. Since its introduction about 14 months ago, Mr. Whitmar said the plan has been adopted by agents or

local boards in 234 cities in 37 states.

When an individual agent attempts to prepare his own advertising program, Mr. Whitmar said, he is faced with the problem of not knowing the mechanics of advertising and often takes the wrong approach. An advertising campaign has to have an objective, which he described as public understanding of the business so that the public is able to distinguish the hero from the villain, or the independent from the captive agent.

Instead of attempting to sell a commodity, he advised that the advertising should sell counsel and customer safety.

Advertising is expensive, Mr. Whitmar explained, and no local board or agent should budget more than he can afford, and at the same time he should keep in mind that advertising must be continuous and carried on over a period of years. Many agents have bought advertising space and have expected miracles. When the public failed to rush to his door the agent has become discouraged and given up. Instead of taking this approach, he said advertising should be prepared to bring about understanding and acceptance of a business that has neglected this phase of operations for more than a century.

Gordon Bagley of Peoria took up the advertising problem from his own board's point of view. The Peoria board last year employed an agency to lay out its campaign, and \$6,000 was budgeted. The ads stressed build-

ing up the agent as a professional man, and newspapers and television were used. Many of the newspaper ads were in color, most of them listing the member agencies at the bottom. Mr. Whitmar commented that it is highly important in such advertising to give the name of the board members because the advertising is primarily aimed to sell the individual agent.

Mr. Bagley showed some examples of the Peoria advertising, which he said produced favorable comment. The ads used the Peoria seal, and the plan is to have the seal represent the membership. It is hoped that each member of the Peoria board will have the seal printed on his letterheads, bills, window displays, etc., so that eventually the seal in the advertising and the seal of the individual agent will be synonymous with quality.

Local board public relations were discussed by Harold L. Todd of Rockford, who said his association, for one thing, had a booth at the auto dealers' show, by invitation, at which the local agent as an independent business man was the theme.

Rockford agents also stressed auto safety during the year, getting more than 1,000 signatures on petitions supporting a speed limit in Illinois and distributing a good many arm bands in behalf of S-D Day in 1954. Several of the member agents worked with the city traffic commission to promote automobile safety.

The Rockford board purchased billboard advertising which is changed daily to show the number of days the city has gone without traffic fatalities.

Another activity was the promotion of CPCU work, and Rockford college is now sponsoring a CPCU study course.

Probably the most important public relations activity was the agent participation in the industrial fire school put on by the fire department. The agents guaranteed the fire department there would be no financial loss, and promoted most of the attendance on the part of the business men. The fire department demonstrated industrial fire hazards and how to prevent them.

Rogers W. Troxell, talking on fire prevention activities in Springfield, commented that the local board fire prevention chairman should be one of the most active members and should be one of the first committee chairmen appointed.

In Springfield, he said, the aim has been to promote fire prevention all year and the agents have worked with the chamber of commerce to this end. He suggested that local boards join National Fire Prevention Assn. and get the benefit of their bulletins.

A fire prevention program in the schools is important, Mr. Troxell

remarked, and is an activity the agents can assist the fire department in performing. In Springfield the fifth grade children are given fire prevention instruction one hour a week and most of the materials have been purchased by the local board.

As a means of insuring fire department cooperation, he said it is a good policy to have the fire department leaders attend one of the board meetings each year.

Donald F. Anderson of the Sterling-Rock Falls association talked on education, and described a unique idea that has worked successfully in his city. It was found, Mr. Anderson said, that it is difficult to get agents to turn out for educational sessions in the evening. There are too many other activities. However, the women's association suggested that educational courses be sponsored in the morning, and last year the association had a 16-week course on Friday mornings from 7 to 9. Coffee and doughnuts were served so there would be no excuse of infringement of the breakfast hour, and the success of this plan can be measured by the attendance, which averaged 39 out of a potential 45. Each week one of the field men explained a form in the fire casualty field and this was followed by a question and answer period.

The association put an ad in their local paper telling the buyers that the usual 8:30 opening on Fridays would be delayed because the agents were engaged in this educational work. Mr. Anderson said the course has been so successful that it will be continued.

Richard M. Winters of Quincy took up local board handling of public business. He said the premium is divided by the average in the last three years of the fire assessment on the companies. Non-board members share in the division of the business, a practice that apparently is followed by most of the Illinois associations. The Quincy association handles city and county business.

Membership qualification was discussed by Charles E. Pritchett of Decatur. The Illinois association last year amended its membership rules to allow stock agents having mutual companies in the agency to become members, but the state rule was put on a local board option basis. Apparently most associations have not amended their rules to allow mixed agencies to join, and Decatur hired an attorney to rewrite its constitution to make its membership rules clear. Membership in Decatur is by invitation and vote of the members, and the agent has to be in the business for two years with an office in the Decatur area. He has to get 50% at least of his insurance income from the fire and casualty business.

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Illinois Agents Choose Prola to Succeed Mullins

(CONTINUED FROM PAGE 32)

some of its sub rosa, and the non-WUA companies had the welcome mat out in a big way. Continental Casualty staged a reception for the early arrivals Sunday night, and there were other features sponsored by companies which do not belong to WUA.

There were not a few agents who were extremely vocal in the opinion that elimination of the hospitality room severed an important home office communication for them. Many stated it was during convention time they were able to meet home office officials and establish a sort of relationship that wears well throughout the year. The meeting, they say, is one of insurance men, and the hospitality room affords a way for the principal and agent to get together informally to exchange ideas, discuss problems and in general come to a better understanding of the other's point of view.

Under the change in the constitution, at least one-half of the number of agency companies represented by a member shall be capital stock insurers, and the majority of the member's total agency volume shall be written in capital stock companies.

Dwight S. Flood of Crystal Lake headed a special committee which strongly recommended strengthening of agents' licensing laws, and a resolution offered by the committee to effect this was adopted. Mr. Flood outlined several objectives desired by the committee, mentioning it may take some time to accomplish all of them. They included the bonding of all agents and brokers operating in the state, empowering and staffing the insurance department to administer the producers' qualification law completely, and the official enactment of an anti-coercion measure.

In addition, the committee favored establishing insurance courses, stipulated by the insurance director, in state colleges, which in turn would make them widely available on a correspondence basis. No company course would qualify as adequate training unless it matched in quality those offered by the colleges.

The resolution included the statement that the association would cooperate with Illinois Assn. of Life Underwriters and Insurance Brokers Assn. of Illinois to put across the more stringent requirements.

Mr. Prola started his insurance career with the Benjamin agency, Springfield, in 1930 after he was graduated from the University of Illinois. He continued with this agency until 1941 when he entered the army infantry as a captain. He had advanced to the rank of colonel before leaving the

army in 1946 to return to Springfield and the insurance business.

After returning home he bought the Benjamin agency and has been operating it ever since as Joseph F. Prola & Co. He has been on the board of the Illinois association for the past six years. He is past vice-president of region 6 of the state association and immediate past-president of the Springfield association.

The inroads of the direct writer has brought the American agency system to a crossroads and gives reasons for concern, Mr. Mullins warned in his presidential report to the membership.

He called for a stronger association as the best method to combat the competitive threats of the direct writer and asked the membership to contribute more time, effort and money to strengthen further the Illinois association.

As a result of the president's report and note of warning, a resolution was adopted immediately which, in effect, objects strongly to agency company markets being made available to the direct writer.

Mr. Mullins called it "wholly intolerable" that companies which derive their business through independent agents should accept reinsurance business from direct writers.

He suggested that the resolution adopted on this growing problem be made known to "our companies, their associations and also to other state associations and the National Assn. of Insurance Agents. I further suggest," he said, "that members of this association report to our Springfield office any instances of this practice of which you may learn."

It is hoped and intended that this resolution will "at least" put the brakes on the practice of agency companies accepting business for the direct writers.

However, Alvin S. Keys, Springfield, chairman of the legislation committee, warned that the resolution in itself was "sham battle" unless followed up with strong action.

In his president's report, Mr. Mullins also strongly recommended continued and exerted effort each year to further build up the membership. "We have passed the 1,000 mark," he said, "I see no reason whatever why it should not pass the 1,500 mark within the next five years."

The comprehensive reports of committees took up the entire time of the membership meeting and a few committee chairmen had to forego the formal reading of their reports.

Local agents have a tax champion in NAIA, it was apparent from the talk of C. W. Tye of Joseph W. Froggett & Co., Newark, who represents the National association at Washington in tax matters. He particularly mentioned an



On hand at the Illinois agents convention: From the left, W. H. Redeker of Centralia, Illinois state national director; Robert Woodward of Peoria; C. A. Bryant of Peoria, regional vice-president; B. F. Metcalfe of Continental Casualty, and Frank H. Hawk of Peoria, a past president.

unpublished Treasury ruling with which NAIA is taking issue. This ruling held that a corporate agency qualified as a personal holding company because the commission income was the result of the efforts of the individual stockholder who, under the applicable state law, was the licensed agent rather than his controlled corporation.

Because the tax penalty is severe, Mr. Tye said the matter is of sufficient importance to either seek a reversal of the ruling or seek clarifying legislation. He said it is his opinion the personal holding statutes never were intended to cover the business earnings of a corporate agency. If upheld, the ruling would adversely affect the accumulation of surplus. With respect to the latter, however, he pointed out that the new tax law is more liberal, providing the personal holding company ruling is rescinded. It now is possi-

ble to accumulate \$60,000 of surplus before a tax is invoked, and even then the government must show that the excess amount is unreasonable.

Myriad selling suggestions were made by Paul Swarm, Decatur, Ill., agent who recently won the top prize in an agency advertising contest conducted by Insurance Advertising Conference. He described some of his advertising approaches, mentioning particularly the use of direct mail.

W. Stephen Chandler, vice-president of Phoenix of Hartford, discussed the need for balance between agency service and profit. His talk will be reported in a later issue.

In the closing session of the convention, Louie E. Woodbury, member of the National association executive committee and engaging southerner from Wilmington, N.C., argued that

(CONTINUED ON NEXT PAGE)

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"Dependable Accident, Sickness, and Hospital Insurance since 1910."



Mrs. L. W. Zonius of Chicago at the Illinois agents meeting with Rogers W. Troxell of Springfield and Mrs. Troxell.

friendship and confidence will sell more insurance than the boasted price differential of the cut-rater.

Other speakers at this well-attended session were Maj. Robert A. Campbell, coordinator of Illinois Traffic Safety division, and Hugh D. Combs, executive vice-president of U.S.F.&G.

"Cut-raters," Mr. Woodbury said, "have to pay just as much to get their business on the books as we do." If they cut, it's when paying losses, he said. "In fact, they don't have the preferred risks we do. It is because they are cut-raters, that they attract the undesirable risks."

After discounting the pessimism aroused by competition from the cut-raters, Mr. Woodbury went on to some positive approaches for getting new business.

He pointed to what he called vast new untapped market of people who don't know any insurance agents and who don't know what an agent can do for them. "Fellows," he said, "you got to get out and see them in order to sell them."

"Don't pat yourself on the back and say how fine your doing," he warned. "Even if you've doubled your business since 1940, it's not enough, because the companies are doing 4½ times the business they did 15 years ago."

He said he bet the majority of automobile business on the agents' books today is the same business they had 10 years ago. He accentuated the possibilities for new business in the fabulously increasing auto market which promises to have some 25 million more cars on the road by 1970.

There was a full program for the ladies in attendance, highlighted by a luncheon at the Kungsholm restaurant where they viewed the renowned miniature grand opera theater.



Prominent in the activities during the Illinois Agents meeting: H. W. Mullins of Rockford, the Illinois president, and Richard Winters of Quincy, a regional vice-president.



James D. Streich of St. Paul F.&M. with Walter M. Teichen Sr. of Villa Park at the annual meeting of Illinois Assn. of Insurance Agents.

Small WC Policy Plan to Be Effective March 1

(CONTINUED FROM PAGE 1)

the insurer.

Premiums may be paid in advance for the three year policy, or in equal annual installments. Prepayment will earn a reduction in premium of \$10, the equivalent of one expense constant. If paid in annual installments, there is no reduction. Policies cancelled will be at short rate up to the first anniversary, but after that a flat cancellation fee will be charged.

The commissioners in 1949 asked the business to study WC policies by size of premium. The study, completed in 1950, showed that for risks under \$100 the expense provisions were inadequate. Since then the business has been studying ways of reducing small policy costs.

The key to the high cost of small policies is, according to the council, clerical handling, and it is apparent also that if the small risks can be written on a three-year fixed rate basis several of the most expensive

clerical procedures can be performed once in three years rather than annually.

The erection of a system of handling small risks will work primarily for the benefit of the insurers. The analysis of expenses paid by policy size presented by the council to the NAIC in 1950 showed that for stock insurers, risks with annual premiums of \$100 or less represent 61% of the total number of risks but only 6.7% of the total premium. Also, for small risks a \$17 expense constant would have to be charged rather than the \$10 constant to produce an adequate provision for expenses.

The program to reduce the cost of handling small risks, thus, will not generate a reduction in such risks, but will more closely fit the writing of small risks to the present expense allowance. Because small risks represent such a small part of the total premium, any changes in handling can have only a negligible effect in the over-all picture.

PFRB Subscriber Plan Is Approved in Arizona

(CONTINUED FROM PAGE 1)

of its members and subscribers as between themselves, "but it is concerned with the ultimate effect of these problems on the bureau itself and its ability to survive and furnish the kind of rating service needed by the industry and the insuring public. The laws of economics apply in the insurance business, and it is a truism that no one company can maintain for long a competitive advantage through a rating manipulation such as unlimited partial subscription. The result would be that other companies, to protect their own interests, must and will go the same route in order to obtain the same competitive advantages."

Mr. Levitt added that North America and Fire Insurance Exchange based their opposition on an alleged illegality of the proposed rule, rather than arguing the factual issue of reasonableness. He contended the hearing was without any substantial conflict on the only factual issue involved.

No member of subscriber of PFRB has ever been obligated or been under pressure to use bureau rates and rules instead of developing its own," he said. "Approval of the proposed rule will not change this condition in any way."

Baker to Suburban Cas.

W. U. Baker has been named state representative in Indiana for Suburban Casualty of Wheaton, Ill. He has been special agent for American States in Indiana.

tioned that he was born in Ridgewood and inquired of Mr. Hargert if he knew the doctor. Mr. Hargert said he did, and that Dr. Vroom was still in active practice and was also a good client of the Hargert office.

Dr. Vroom was the first in his area to use diphtheria vaccination as a result of which he saved the lives of 28 patients suffering from the disease during a violent epidemic. He was also the first in his county to use insulin for diabetes and the first doctor there to own an automobile. He has used up 28 horses and 12 motor cars, and is still going strong. These and other statistics are referred to in an article in *Coronet* magazine for October, in which Dr. Vroom is featured.

In addition to Mr. Ackerman and Dr. Vroom, the luncheon was attended by Sinclair T. Skirrow, vice-president of Great American, and Mr. and Mrs. William C. Yarnall and Mr. and Mrs. Elmer Stage of the Hargert agency.



Field men of Secured of Indianapolis at the Indiana agents' convention dispensing coffee and doughnuts: From left, John Montgomery, James Bridges, Robert Allen, Charles Swinford and Robert Young. Henry L. Moffett, director of agencies of Secured, headed his company's contingent at the meeting.

CPCU Conference Highlights Chicago All Industry Lunch

Presentation of CPCU designations highlighted the annual all industry luncheon sponsored by Chicago CPCU chapter.

Robert L. Morse, assistant dean of American Institute for Property & Liability Underwriters, made the presentation to 11 Chicago area residents and one resident of South Dakota.

Richard E. Verner, fire prevention manager of Western Actuarial Bureau, traced the history of fire safety work and its contribution in cutting down both life and property loss. He spoke at the luncheon attended by some 400 CPCUs and guests.

Three concurrent, two-hour forums preceded the luncheon.

W. H. Rodda, secretary of Transportation Insurance Rating Bureau, moderated the best-attended forum which considered the development of the port of Chicago and the effect it would have on ocean marine insurance in the Chicago market.

James B. Murphy, executive vice-president of the E. H. Walters & Co. agency, presided at another session which took a long, envious look at the sales techniques used by life companies and suggested that fire and casualty agents emulate those techniques that can be adapted to the sales of fire and casualty insurance.

The third forum on "practical safety for producers" was moderated by Otto P. Freilinger, chief engineer for W. A. Alexander Co.

Retention Problem Grows With More Competition in Field

NEW YORK—The increase in group, A&H and life has made competition so keen that the emphasis on retentions have been accentuated, Commissioner Beery of Colorado said at the meeting of the commissioners subcommittee of life insurance to study group life. The primary element in group insurances sales seems to be the estimated retention rather than the price or any of the other facets of group insurance, he said. Competition has forced retentions lower and lower until they are often unrealistic, yet the buyers often overlook this fact, he said.

If companies stand by their estimated retentions they may find the margins for proper reserves are inadequate, he said. Is it proper for companies to mislead buyers this way? he asked.

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HOW
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FOR QUALITY PROPERTY INSURANCE SEE YOUR HOMETOWN AGENT

the bill came to \$2,042,803,288
(Over two billion dollars)
paid by THE HOME

When it comes time to collect, you realize the value of good insurance. Many thousands of people—homeowners, businessmen, farmers—have made this discovery about The Home Insurance Company. Through the burning of cities, windstorms and other disasters, The Home has paid—big losses and small—promptly and fairly. The value of the services of The Home can be measured by the size of the bill—over two billion dollars paid out in losses since 1853. Equally important have been the human, devoted and skilled services of the agents of The Home. Without them, this record could never have been attained. For your protection, it's wise to see your own Home agent.

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The Home Insurance Company's new advertisement dramatically illustrates the point about insurance that most interests the policyholder—prompt and fair claim settlement. One of the most powerful sales factors you have working for you is the prospect's knowledge that you render the same skilled service after a loss as you do in the original selling.



Spotlighting Support OF THE AMERICAN AGENCY SYSTEM

"YOUR INSURANCE PROGRAM IS AS GOOD AS YOUR AGENT," told your story to your public. Our "INFORMATIVE SERIES" helps you talk the insured's language, to make and to save sales. Our "EDUCATIONAL PROGRAM" gives you professional preparation by correspondence course and at our N.Y. Office Agents School. Our "AGENCY SYSTEMS" tells you how to get more profit from your commission dollar.

These are but a few current demonstrations of our faith in the American Agency System . . . and of our efforts in maintaining the best service for the best in insurance.

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